

Greater Tzaneen Municipality  
Financial statements  
for the year ended 30 June 2018

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **General Information**

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### **Nature of business and principal activities**

Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).

Greater Tzaneen Economic Development Agency (GTEDA) is a municipal entity performing the functions consistent with that of an entity.

### **Jurisdiction within which the Municipality operates**

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It extends from Haenertsburg in the west, to Rubbervale in the east, and just south of Modjadiskloof in the north, to Trichardtsdal in the South.

### **Executive committee**

Mayor

Councillor M. Mangena

Members of the Executive Committee

Councillor M. Mangena

Councillor TT. Maunatlala (Finance)

Councillor M. Letsoalo (Sports, Recreation, Art and Culture)

Councillor G. Ntimbane (Infrastructure)

Councillor M. Hlangwane (Health, Environment and Social Development)

Councillor S. Tiba (Economic Development, Housing and Spatial Development Plan)

Councillor C. Machimana (Public Transport and Safety and Security)

Councillor S. Mbhalati (Corporate Gov. and Share Services)

Councillor DJ. Mmetle (Speaker)

Councillor C. Nhemo (Chief Whip)

Councillor M. Prinsloo (Exco)

Councillor S. Sekwela (Exco)

Councillor DJ. Mmetle (Speaker)

Councillor MG. Mangena (Mayor)

Councillor CS. Nhemo (Chief Whip)

Councillor MM. Letsoalo

Councillor C. Machimana

Councillor TT. Maunatlala

Councillor NJ. Mbhalati

Councillor GE. Ntimbane

Councillor M. Prinsloo

Councillor MM. Sekhwela

Councillor MS. Tiba

Councillor ML. Hlangwane

Councillor MS. Baloyi

Councillor J. Banyini

Councillor OK. Banyini

Councillor PW. Cronje

Councillor DG. Kgafane

Councillor MR. Kgatla

Councillor LK. Lepulana

Councillor MJ. Maake

Councillor MH. Mafokwane

Councillor NM. Mahasha

Councillor JT. Makhubele

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **General Information**

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Councillor GP. Makhubele  
Councillor MM. Makwala  
Councillor SC. Makwala  
Councillor MA. Makwela  
Councillor MM. Makwela  
Councillor TE. Malatji  
Councillor GM. Malatji  
Councillor DO. Malamela  
Councillor SM. Mapitja  
Councillor SP. Masetla  
Councillor NA. Masila  
Councillor NP. Mathebula  
Councillor MM. Mathekga  
Councillor TL. Matita  
Councillor NG. Maunatlala  
Councillor MF. Mbhalati  
Councillor TJ. Mcclintock  
Councillor DG. Mkhabele (MPAC Chairperson)  
Councillor MF. Mochabela  
Councillor F. Mohlaba  
Councillor SN. Mohonone  
Councillor MJ. Makgoloboto  
Councillor MC. Morwatshehla  
Councillor T. Mpenyana  
Councillor NG. Mukansi  
Councillor TH. Mushwana  
Councillor ET. Ngobeni  
Councillor SE. Ngobeni  
Councillor JL. Ngobeni  
Councillor MC. Nkwashu  
Councillor N. Nkwashu  
Councillor ME. Phakula  
Councillor RE. Pohl  
Councillor ML. Pudikabekwa  
Councillor MS. Rakganya  
Councillor PJ. Ramodipa  
Councillor SB. Rarnoshaba  
Councillor O. Raolane  
Councillor KI. Rapatsa  
Councillor RS. Rapitsi  
Councillor JM. Ratopola  
Councillor CT. Shisinga  
Councillor O. Sithole  
Councillor NH. Zandamela

**Grading of local authority**

Grade 4: High Capacity

**Chief Finance Officer (CFO)**

Mikateko Palesa Makhubela

**Accounting Officer**

Bartholomew Serapelo Matlala

**Registered office**

38 Agatha Street

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **General Information**

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	Civic Center Tzaneen 0850
<b>Business address</b>	38 Agatha Street Civic Center Tzaneen 0850
<b>Postal address</b>	PO Box 24 Tzaneen 0850
<b>Bankers</b>	ABSA
<b>Website address</b>	<a href="http://www.tzaneen.gov.za">www.tzaneen.gov.za</a>
<b>Audit committee</b>	SAB Ngobeni (Chairperson) HN Masedi L Lankalebalela JM Mofokeng
<b>Level of rounding</b>	Rounding to the nearest Rand
<b>Auditor</b>	Auditor General of South Africa (AGSA) Polokwane Office Telephone number: 015 283 9338

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

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## **Greater Tzaneen Municipality**

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#### **Abbreviations**

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GTEDA	Greater Tzaneen Economic Development Agency
RAL	Roads Agency Limpopo
VAT	Value Added Tax

**Greater Tzaneen Municipality**  
Financial Statements for the year ended 30 June 2018

## **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

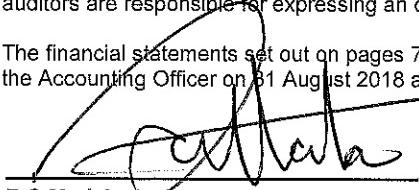
The Accounting Officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, the municipality's external auditors are responsible for expressing an opinion on the financial statements.

The financial statements set out on pages 7 to 119, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2018 and were signed on its behalf by:

  
**B.S Matlala**  
Municipal Manager

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2018.

#### **1. Introduction**

##### **Main business and operations**

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km<sup>2</sup>, and extends from Haenertsburg in the West, to Ruberval in the East, and just South of Modjadiskloof in the North, to Trichardtsdal in the South.

The long-term goal of Greater Tzaneen Municipality is to ensure that the municipality is financially sustainable, to stimulate economic growth and to improve the quality of life of all residents in the area of jurisdiction.

#### **2. Operational responsibility**

It is the responsibility of the municipality to present the statement of financial position, statement of financial performance and cash flow statement for the year ended 30 June 2018 in accordance with applicable legislation which includes the standards of GRAP.

In an attempt to obtain a clean audit opinion for the 2017/2018 financial year the municipality has institutionalised the concept of operation clean audit (OPCA) to the extent that a compliance officer has been appointed and weekly meetings are held by the municipality's audit steering committee to address previous audit findings and year-end activities.

#### **3. Review of operating results**

This review highlights the municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full details appear in the annual financial statements.

Overview of the municipality's results:

The municipality's overall actual operating results against the corresponding approved budget figures are scheduled in Appendix E1 of the annual financial statements.

The statement of financial performance reflects a summary of income and expenditure items, while the segmental operating results per service are shown in appendix D of the annual financial statements. Over the past financial year the operating revenue increased from R 1 119 432 134 to R 1 128 921 149 while the operating expenditure increased from R 1 129 162 265 to R 1 196 709 469.

The municipality reported a net operating deficit of R (83 268 381) for the financial year under review, (2017 R (10 110 640)).

The main revenue sources of the municipality are:

- Property rates;
- Service charges and
- Government grants and subsidies

Whilst the highest expenditure items are:

- Employee related costs;
- Bulk purchases and
- Repairs and maintenance

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owed by consumers. The outstanding consumer debtors as at 30 June 2018 amounts to R 426 306 198 (2017: R 365 669 046) of which R 290 964 814 (2017: R 258 633 917) were impaired. Indigent debtors to the amount of R 9 978 766 (2017: R -) have been written off as uncollectable. The total provision for impairment amounts to R 290 964 814 (2017: R 258 633 917).

Unspent conditional grants and receipts decreased from R 30 523 329 in the previous financial year to R 2 924 848 in the current financial year with a 100% spending on the Municipal Infrastructure Grant.

With regards to expenditure management the cost containment measures approved by cabinet on 23 October 2013 has been annually updated from 2014/2015 through the budget process and are being complied with.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Accounting Officer's Report**

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The actual expenditure amounts to R 1 196 709 469 compared to the budgeted amount of R 1 117 685 742. The overspending is largely due to overspending on the following votes:

- Provision for bad debt
- Roads transferred to RAL
- Legal fees.

The expenditure amount includes R 282 016 266 for salaries, R 46 257 231 for repairs and maintenance and R 325 232 299 for the purchase of bulk electricity.

The 2017/2018 budget of the municipality was amended by means of three adjustment budgets through the financial year.

- Adjustment budget approved by Council on 27 February 2018
- Adjustment budget approved by Council on 25 May 2018 to accommodate an additional MIG transfer of R 5.8 million.
- Adjustment budget approved by Council on 31 July 2018 to accommodate an amount of R 230 000 price money for the Greenest Town Competition allocated by the Department of Economic Development, Environmental and Tourism.

The outstanding loans which have been taken-up to finance capital projects amount to R 101 901 213 (2017: R 119 737 242) and the detail of this amount is contained in Note 12 and Appendix A.

### **4. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the municipality.

### **5. Subsequent events**

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### **6. Accounting Officer**

The Accounting Officers of the municipality for the year under review were as follows:

Name	Nationality
B Mathebula (July)	South African
MS Lelope (August to October)	South African
MS Lelope (November to January)	South African
W Shibamba (February to April)	South African

The Accounting Officer of the municipality at the date of this report is:

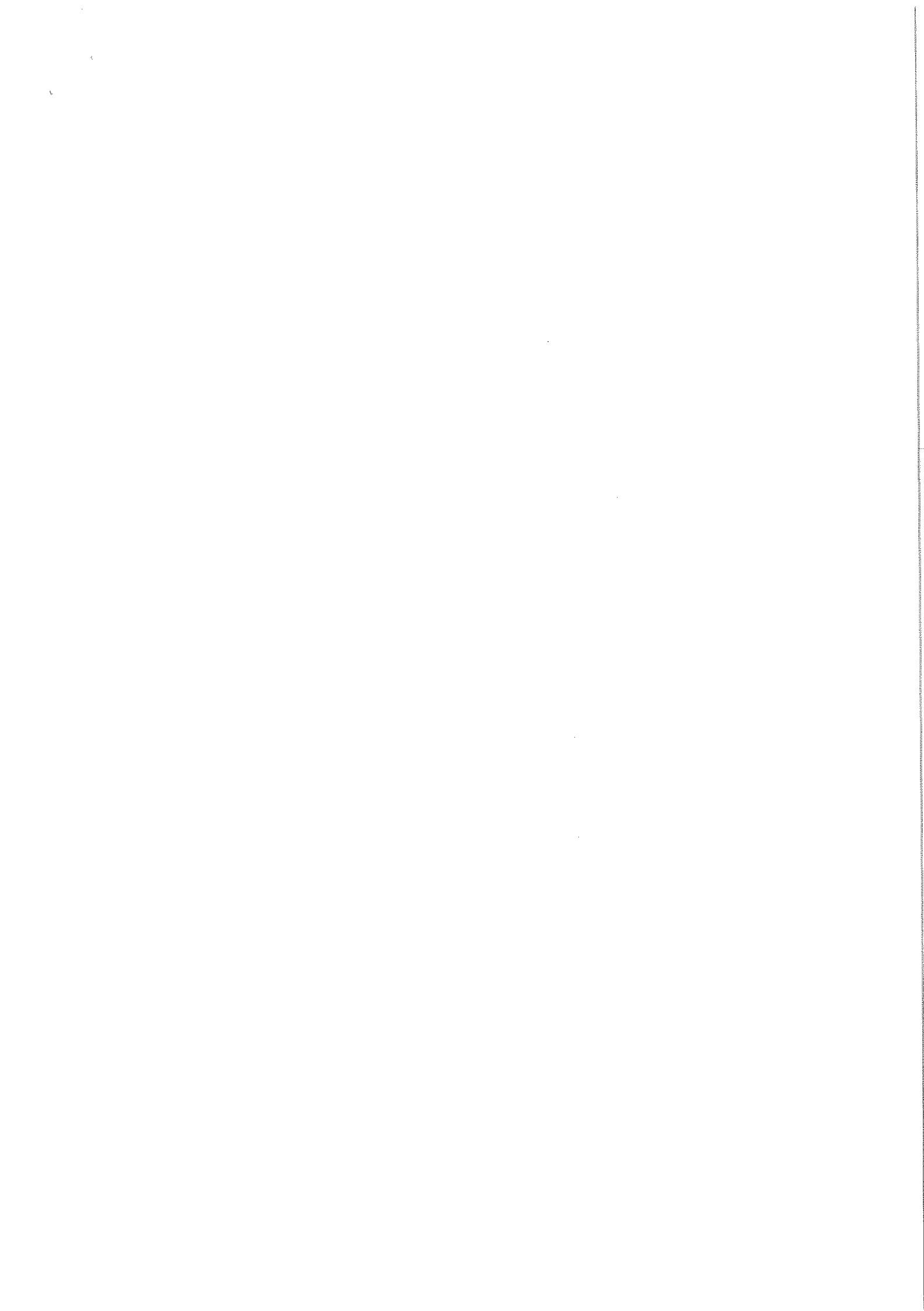
Name	Nationality
BS Matlala	South African

### **7. Auditors**

Auditor General of South Africa will continue in office for the next financial period.

## **Report of the Auditor General**

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## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	19 164 420	14 753 202
Other financial assets	4	2 447 887	2 669 089
Operating lease asset	5.2	173 357	149 816
Receivables from exchange transactions	6	238 412 240	220 788 581
Receivables from non-exchange transactions	5.1	43 961 105	73 382 503
Consumer debtors	7	135 341 384	107 035 129
Cash and cash equivalents	8	7 490 664	31 839 163
		<b>446 991 057</b>	<b>450 617 483</b>
<b>Non-Current Assets</b>			
Investment property	9	183 057 053	173 182 753
Property, plant and equipment	10	1 501 923 099	1 610 522 177
Intangible assets	11	1 603 468	1 135 042
Other financial assets	4	26 887 399	25 174 276
		<b>1 713 471 019</b>	<b>1 810 014 248</b>
<b>Total Assets</b>		<b>2 160 462 076</b>	<b>2 260 631 731</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	9 585 798	17 075 913
Finance lease obligation	13	824 306	1 758 832
Payables from exchange transactions	14	204 188 474	178 361 460
VAT payable	15	36 385 491	33 376 034
Consumer deposits	16	26 858 463	23 129 385
Unspent conditional grants and receipts	17	2 924 848	30 523 329
Provisions	18	445 724	606 890
		<b>281 213 104</b>	<b>284 831 843</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	12	92 315 415	102 661 329
Finance lease obligation	13	602 667	3 558 300
Employee benefit obligation	19	83 821 523	84 223 104
Provisions	18	4 626 520	4 205 927
		<b>181 366 125</b>	<b>194 648 660</b>
<b>Total Liabilities</b>		<b>462 579 229</b>	<b>479 480 503</b>
<b>Net Assets</b>			
Accumulated surplus		<b>1 697 882 847</b>	<b>1 781 151 228</b>
		<b>1 697 882 847</b>	<b>1 781 151 228</b>

\* See Note 59

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

**Statement of Financial Performance**

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	485 060 405	447 481 235
Rental of facilities and equipment		1 781 896	1 644 365
Interest received (trading)	53	18 395 501	15 321 021
Agency services		7 988 116	6 304 686
Licences and permits		1 005 867	824 244
Other income	21	38 167 376	44 716 716
Interest received - investment	53	4 427 275	8 253 077
<b>Total revenue from exchange transactions</b>		<b>556 826 436</b>	<b>524 545 344</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	99 289 523	80 787 849
Property rates - penalties imposed	22	8 203 616	8 157 882
<b>Transfer revenue</b>			
Government grants & subsidies	23	424 245 829	464 786 239
Public contributions and donations		49 272	-
Fines, penalties and forfeits	54	40 306 473	41 154 820
<b>Total revenue from non-exchange transactions</b>		<b>572 094 713</b>	<b>594 886 790</b>
<b>Total revenue</b>	25	<b>1 128 921 149</b>	<b>1 119 432 134</b>
<b>Expenditure</b>			
Employee related costs	26	282 016 266	267 338 994
Remuneration of councillors	27	24 432 412	22 457 384
Depreciation and amortisation	56	126 613 505	129 346 959
Impairment loss/ reversal of impairments	29	2 839 900	822 923
Finance costs	30	11 013 609	12 933 180
Debt impairment	57	116 939 752	58 399 127
Collection costs		1 770 028	421 406
Repairs and maintenance	31	46 257 231	35 018 928
Bulk purchases	32	325 232 299	321 519 584
Contracted services	33	48 050 548	46 904 302
Transfers and subsidies	34	113 263 619	134 968 230
General expenses	35	98 280 300	99 031 248
<b>Total expenditure</b>		<b>1 196 709 469</b>	<b>1 129 162 265</b>
<b>Operating deficit</b>			
Loss on disposal/ write off of property, plant and equipment	55	(67 788 320)	(9 730 131)
Fair value adjustments	52	(25 924 361)	(923 404)
Gain (loss) on disposal of stands held for sale (inventories)	55	10 444 300	-
		-	542 895
		<b>(15 480 061)</b>	<b>(380 509)</b>
<b>Deficit for the year</b>		<b>(83 268 381)</b>	<b>(10 110 640)</b>

\* See Note 59

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		1 713 903 805	1 713 903 805
Adjustments		77 358 063	77 358 063
Prior year adjustments	59		
<b>Balance at 01 July 2016 as restated*</b>		<b>1 791 261 868</b>	<b>1 791 261 868</b>
Changes in net assets		(10 110 640)	(10 110 640)
Surplus for the year			
Total changes		(10 110 640)	(10 110 640)
Opening balance as previously reported		1 721 823 444	1 721 823 444
Adjustments			
Prior year adjustments	59	59 327 784	59 327 784
<b>Restated* Balance at 01 July 2017 as restated*</b>		<b>1 781 151 228</b>	<b>1 781 151 228</b>
Changes in net assets		(83 268 381)	(83 268 381)
Surplus for the year			
Total changes		(83 268 381)	(83 268 381)
<b>Balance at 30 June 2018</b>		<b>1 697 882 847</b>	<b>1 697 882 847</b>

Note(s)

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\* See Note 59

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

**Cash Flow Statement**

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		79 408 159	69 332 445
Sale of goods and services		534 554 225	508 426 099
Grants		466 424 491	489 339 441
Interest income	53	4 427 275	8 253 077
		<u>1 084 814 150</u>	<u>1 075 351 062</u>
<b>Payments</b>			
Employee costs		(306 850 259)	(291 337 034)
Suppliers		(721 403 562)	(682 114 191)
Finance costs	30	(10 217 081)	(12 489 696)
Transfer of property, plant and equipment (non-cash item)	10	75 728 464	54 400 868
		<u>(962 742 438)</u>	<u>(931 540 053)</u>
<b>Net cash flows from operating activities</b>	36	<u>122 071 712</u>	<u>143 811 009</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(124 516 144)	(122 747 827)
Proceeds from sale of property, plant and equipment	10	2 691 367	185 000
Purchase of investment property	9	-	(7 141 753)
Sale of investment property	9	570 000	-
Purchase of other intangible assets	11	(1 150 797)	(631 368)
Proceeds from sale of financial assets		(1 491 921)	(4 757 914)
<b>Net cash flows from investing activities</b>		<u>(123 897 495)</u>	<u>(135 093 862)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(17 836 029)	(35 867 227)
Finance lease payments		(4 686 687)	4 619 823
<b>Net cash flows from financing activities</b>		<u>(22 522 716)</u>	<u>(31 247 404)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(24 348 499)</b>	<b>(22 530 257)</b>
Cash and cash equivalents at the beginning of the year		31 839 163	54 369 420
<b>Cash and cash equivalents at the end of the year</b>	8	<b>7 490 664</b>	<b>31 839 163</b>

\* See Note 59

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	532 683 153	-	532 683 153	485 060 405	(47 622 748)	Note 51
Rental of facilities and equipment	1 372 100	-	1 372 100	1 781 896	409 796	Note 51
Interest received - outstanding receivables	13 000 000	-	13 000 000	18 395 501	5 395 501	
Income from agency services	50 264 291	-	50 264 291	7 988 116	(42 276 175)	Note 51
Licences and permits	701 000	-	701 000	1 005 867	304 867	Note 51
Other income	10 235 046	-	10 235 046	38 167 376	27 932 330	Note 51
Interest received - external investment	3 501 000	-	3 501 000	4 427 275	926 275	Note 51
<b>Total revenue from exchange transactions</b>	<b>611 756 590</b>	-	<b>611 756 590</b>	<b>556 826 436</b>	<b>(54 930 154)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	84 000 000	-	84 000 000	99 289 523	15 289 523	Note 51
Property rates - penalties imposed	6 500 000	-	6 500 000	8 203 616	1 703 616	Note 51
<b>Transfer revenue</b>						
Government grants and subsidies	439 982 000	21 860 308	461 842 308	424 245 829	(37 596 479)	Note 51
Public contributions and donations	-	-	-	49 272	49 272	
Fines	5 503 136	-	5 503 136	40 306 473	34 803 337	Note 51
<b>Total revenue from non-exchange transactions</b>	<b>535 985 136</b>	<b>21 860 308</b>	<b>557 845 444</b>	<b>572 094 713</b>	<b>14 249 269</b>	
<b>Total revenue</b>	<b>1 147 741 726</b>	<b>21 860 308</b>	<b>1 169 602 034</b>	<b>1 128 921 149</b>	<b>(40 680 885)</b>	
<b>Expenditure</b>						
Employee cost	(316 680 113)	-	(316 680 113)	(282 016 266)	34 663 847	Note 51
Remuneration of councillors	(24 683 925)	-	(24 683 925)	(24 432 412)	251 513	
Depreciation and amortisation	(128 908 633)	-	(128 908 633)	(126 613 505)	2 295 128	
Impairment loss/ Reversal of impairments	-	-	-	(2 839 900)	(2 839 900)	Note 51
Finance costs	(12 771 030)	-	(12 771 030)	(11 013 609)	1 757 421	Note 51
Debt impairment	(27 351 000)	-	(27 351 000)	(116 939 752)	(89 588 752)	Note 51
Collection costs	(400 000)	-	(400 000)	(1 770 028)	(1 370 028)	Note 51
Repairs and maintenance	(41 059 862)	(12 806 413)	(53 866 275)	(46 257 231)	7 609 044	Note 51
Bulk purchases	(345 000 000)	-	(345 000 000)	(325 232 299)	19 767 701	Note 51
Contracted services	(49 612 372)	-	(49 612 372)	(48 050 548)	1 561 824	Note 51
Transfer and subsidies paid	(39 178 999)	-	(39 178 999)	(113 263 619)	(74 084 620)	Note 51
General Expenses	(119 233 395)	-	(119 233 395)	(98 280 300)	20 953 095	
<b>Total expenditure</b>	<b>(1 104 879 329)</b>	<b>(12 806 413)</b>	<b>(1 117 685 742)</b>	<b>(1 196 709 469)</b>	<b>(79 023 727)</b>	
<b>Operating deficit</b>	<b>42 862 397</b>	<b>9 053 895</b>	<b>51 916 292</b>	<b>(67 788 320)</b>	<b>(119 704 612)</b>	
Gain (Loss) on disposal of assets	2 200 000	-	2 200 000	(25 924 361)	(28 124 361)	Note 51
Fair value adjustments	-	-	-	10 444 300	10 444 300	
	<b>2 200 000</b>	-	<b>2 200 000</b>	<b>(15 480 061)</b>	<b>(17 680 061)</b>	

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	45 062 397	9 053 895	54 116 292	(83 268 381)	(137 384 673)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	45 062 397	9 053 895	54 116 292	(83 268 381)	(137 384 673)	

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	20 235 618	-	<b>20 235 618</b>	19 164 420	(1 071 198)	Note 51
Other financial assets	2 410 944	-	<b>2 410 944</b>	2 447 887	36 943	Note 51
Operating lease asset	91 164	-	<b>91 164</b>	173 357	82 193	
Receivables from exchange transactions	223 061 967	-	<b>223 061 967</b>	238 412 240	15 350 273	Note 51
Receivables from non-exchange transactions	2 604 326	-	<b>2 604 326</b>	43 961 105	41 356 779	Note 51
Consumer debtors	114 762 395	-	<b>114 762 395</b>	135 341 384	20 578 989	Note 51
Cash and cash equivalents	11 457 490	(2 510 000)	<b>8 947 490</b>	7 490 664	(1 456 826)	Note 51
	<b>374 623 904</b>	<b>(2 510 000)</b>	<b>372 113 904</b>	<b>446 991 057</b>	<b>74 877 153</b>	
<b>Non-Current Assets</b>						
Investment property	200 099 000	-	<b>200 099 000</b>	183 057 053	(17 041 947)	Note 51
Property, plant and equipment	1 794 632 000	22 006 396	<b>1 816 638 396</b>	1 501 923 099	(314 715 297)	Note 51
Intangible assets	513 482	-	<b>513 482</b>	1 603 468	1 089 986	Note 51
Other financial assets	23 700 000	-	<b>23 700 000</b>	26 887 399	3 187 399	Note 51
	<b>2 018 944 482</b>	<b>22 006 396</b>	<b>2 040 950 878</b>	<b>1 713 471 019</b>	<b>(327 479 859)</b>	
<b>Total Assets</b>	<b>2 393 568 386</b>	<b>19 496 396</b>	<b>2 413 064 782</b>	<b>2 160 462 076</b>	<b>(252 602 706)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	23 507 142	-	<b>23 507 142</b>	9 585 798	(13 921 344)	
Finance lease obligation	-	-	-	824 306	824 306	Note 51
Payables from exchange transactions	150 317 488	-	<b>150 317 488</b>	204 188 474	53 870 986	
VAT payable	31 050 038	-	<b>31 050 038</b>	36 385 491	5 335 453	
Consumer deposits	25 546 904	-	<b>25 546 904</b>	26 858 463	1 311 559	
Unspent conditional grants and receipts	1 415 052	-	<b>1 415 052</b>	2 924 848	1 509 796	Note 51
Provisions	773 638	-	<b>773 638</b>	445 724	(327 914)	Note 51
	<b>232 610 262</b>	-	<b>232 610 262</b>	<b>281 213 104</b>	<b>48 602 842</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	129 560 818	-	<b>129 560 818</b>	92 315 415	(37 245 403)	Note 51
Finance lease obligation	-	-	-	602 667	602 667	
Employee benefit obligation	96 364 161	-	<b>96 364 161</b>	83 821 523	(12 542 638)	Note 51
Provisions	4 626 520	-	<b>4 626 520</b>	4 626 520	-	
	<b>230 551 499</b>	-	<b>230 551 499</b>	<b>181 366 125</b>	<b>(49 185 374)</b>	
<b>Total Liabilities</b>	<b>463 161 761</b>	-	<b>463 161 761</b>	<b>462 579 229</b>	<b>(582 532)</b>	
<b>Net Assets</b>	<b>1 930 406 625</b>	<b>19 496 396</b>	<b>1 949 903 021</b>	<b>1 697 882 847</b>	<b>(252 020 174)</b>	

**Greater Tzaneen Municipality**  
Financial Statements for the year ended 30 June 2018

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
Reserves						
Accumulated surplus	1 930 406 625	19 496 396	<b>1 949 903 021</b>	1 697 882 847	(252 020 174)	Note 51

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxation revenue	76 925 000	-	<b>76 925 000</b>	79 408 159	<b>2 483 159</b>	Note 51
Sale of goods and services	525 468 339	-	<b>525 468 339</b>	534 554 225	<b>9 085 886</b>	Note 51
Grants	439 982 000	6 030 000	<b>446 012 000</b>	466 424 491	<b>20 412 491</b>	
Interest income	11 550 700	-	<b>11 550 700</b>	4 427 275	(7 123 425)	Note 51
	<b>1 053 926 039</b>	<b>6 030 000</b>	<b>1 059 956 039</b>	<b>1 084 814 150</b>	<b>24 858 111</b>	
<b>Payments</b>						
Employee costs	(315 102 089)	-	(315 102 089)	(306 850 259)	<b>8 251 830</b>	Note 51
Suppliers	(597 499 605)	-	(597 499 605)	(721 403 562)	(123 903 957)	Note 51
Finance costs	(12 771 030)	-	(12 771 030)	(10 217 081)	<b>2 553 949</b>	Note 51
Transfer of property, plant and equipment	-	-	-	75 728 464	<b>75 728 464</b>	Note 51
	<b>(925 372 724)</b>	-	<b>(925 372 724)</b>	<b>(962 742 438)</b>	<b>(37 369 714)</b>	
<b>Net cash flows from operating activities</b>	<b>128 553 315</b>	<b>6 030 000</b>	<b>134 583 315</b>	<b>122 071 712</b>	<b>(12 511 603)</b>	
<b>Cash flows from investing activities</b>						
Additions to property, plant and equipment	(140 889 514)	(28 036 396)	(168 925 910)	(124 516 144)	<b>44 409 766</b>	Note 51
Proceeds on disposal of property, plant and equipment	2 200 000	-	<b>2 200 000</b>	2 691 367	<b>491 367</b>	Note 51
Loss on disposal of property, plant and equipment	-	-	-	(1 150 797)	(1 150 797)	Note 51
Disposal of property, plant and equipment written off	-	-	-	570 000	<b>570 000</b>	Note 51
Proceeds from sale of financial assets	(920 000)	-	(920 000)	(1 491 921)	(571 921)	Note 51
<b>Net cash flows from investing activities</b>	<b>(139 609 514)</b>	<b>(28 036 396)</b>	<b>(167 645 910)</b>	<b>(123 897 495)</b>	<b>43 748 415</b>	
<b>Cash flows from financing activities</b>						
Long term liabilities	34 744 788	-	<b>34 744 788</b>	-	(34 744 788)	Note 51
Repayment of other financial liabilities	(23 074 597)	-	(23 074 597)	(17 836 029)	<b>5 238 568</b>	Note 51
Finance lease payments	(1 500 000)	-	(1 500 000)	(4 686 687)	(3 186 687)	Note 51
<b>Net cash flows from financing activities</b>	<b>10 170 191</b>	-	<b>10 170 191</b>	<b>(22 522 716)</b>	<b>(32 692 907)</b>	
Net increase/(decrease) in cash and cash equivalents	(886 008)	(22 006 396)	(22 892 404)	(24 348 499)	(1 456 095)	Note 51
Cash and cash equivalents at the beginning of the year	12 342 983	19 496 188	<b>31 839 171</b>	31 839 163	(8)	Note 51
<b>Cash and cash equivalents at the end of the year</b>	<b>11 456 975</b>	<b>(2 510 208)</b>	<b>8 946 767</b>	<b>7 490 664</b>	<b>(1 456 103)</b>	

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1. Basis of preparation**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### **1.1 Presentation currency**

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Rounding**

All financial figures have been rounded off to the nearest Rand.

#### **1.3 Going concern assumption**

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.4 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### **Trade receivables and loans and receivables**

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### **Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Subsequent to initial measurement, investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date, determined by the external valuator.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

#### **Post-retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **1.5 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.5 Investment property (continued)**

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

#### **Derecognition**

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefit or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### **1.6 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **Notes to the Financial Statements: Accounting Policies**

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#### **1.6 Property, plant and equipment (continued)**

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements: Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life in years
Infrastructure	Straight line	
• Roads and paving		10 -30
• Pedestrian malls		20
• Electricity		10 - 30
• Water		15-20
• Sewage		15-20
• Housing		30
Community	Straight line	
• Improvements		30
• Recreational facilities		20
• Security		3 - 5
Other assets	Straight line	
• Buildings		30
• Specialist vehicles		20
• Other vehicles		5 - 7
• Office equipment		3-5
• Furniture and fittings		7-10
• Watercraft		15
• Bins and containers		5-10
• Specialised plant and equipment		5-15
• Other items of plant and equipment		5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.6 Property, plant and equipment (continued)**

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### **1.7 Intangible assets**

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### **Derecognition**

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements: Accounting Policies

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### 1.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.8 Financial instruments (continued)**

#### **Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### **Reclassification**

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.8 Financial instruments (continued)**

#### **Impairment and uncollectibility of financial assets**

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### **Derecognition**

##### **Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - deregognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **Notes to the Financial Statements: Accounting Policies**

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#### **1.8 Financial instruments (continued)**

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### **Financial liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

#### **1.9 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.9 Leases (continued)**

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.10 Inventories**

Consumable and stands inventories consist of work in progress, consumables and finished goods. Inventory is measured at lower of cost, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at cost.

The cost of consumable inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

### **1.11 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.11 Impairment of cash-generating assets (continued)**

#### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### **Basis for estimates of future cash flows**

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### **Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### **Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.11 Impairment of cash-generating assets (continued)**

#### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### **Reversal of impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.11 Impairment of cash-generating assets (continued)**

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.12 Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.12 Impairment of non-cash-generating assets (continued)**

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.13 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### **1.14 Employee benefits**

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employee render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employee render the related service; and

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.14 Employee benefits (continued)**

#### **Post-employment benefits**

Post-employment benefits are benefits (other than termination benefits) which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to the employee services in the current and prior periods.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### **1.15 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.15 Provisions and contingencies (continued)**

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

### **1.16 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **1.17 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.17 Revenue from exchange transactions (continued)**

#### **Rendering of services**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff or changes in recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

#### **Interest**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.18 Revenue from non-exchange transactions**

Revenue from non-exchange transaction refers to transaction where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Taxes**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.18 Revenue from non-exchange transactions (continued)**

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### **Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

#### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### **1.19 Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.20 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.21 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.22 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.23 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.24 Departmental information**

A departmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendixes C and D. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Departmental information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### **1.25 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### **1.26 Related parties**

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements: Accounting Policies**

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### **1.27 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.28 Value Added Tax (VAT)**

The municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can be claimed as and when payments are made.

### **1.29 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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### **2. New standards and interpretations**

#### **2.1 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

#### **GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

#### **GRAP 35: Consolidated Financial Statements**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

#### **GRAP 36: Investments in Associates and Joint Ventures**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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### **GRAP 37: Joint Arrangements**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **GRAP 38: Disclosure of Interests in Other Entities**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this interpretation is currently being assessed.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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### **GRAP 110 (as amended 2016): Living and Non-living Resources**

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **Notes to the Financial Statements**

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- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

### **IGRAP19 Liabilities to Pay Levies**

This interpretation contains guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

This Interpretation addresses the recognition of a liability to pay a levy if that liability is within the scope of GRAP 19. It also addresses the recognition of a liability to pay a levy whose timing and amount is certain. The measurement of a liability to pay a levy is not addressed in this Interpretation, instead an entity refers to GRAP 19.

This Interpretation does not address the accounting for the costs that arise from recognising a liability to pay a levy. Entities should apply other Standards of GRAP to decide whether the recognition of a liability to pay a levy gives rise to an asset or an expense.

Items that may be considered levies within the scope of this Interpretation are referred to as levies or some other term in legislation or similar means, for example, taxes (including non-refundable purchase taxes), fees (including licence fees), concessions, tolls, duties, royalties, tariffs, payments, charges, etc. An entity should assess, based on the substance of the transaction rather than the legal form, whether the item is a levy as defined in this Interpretation

In determining whether a liability to pay a levy imposed by government meets the definition of a levy in this Interpretation, an entity assesses whether the levy is a non-exchange or exchange transaction by considering whether there has been a direct exchange of approximately equal value. This assessment requires judgement, and a detailed consideration of the legislation or similar means as well as the specific facts and circumstances of the levy being paid. Such an assessment is made irrespective of whether an entity makes a payment directly to the government or to a third party acting on behalf of government. For instance, when the levy is payable to a collecting agent, the levy may be a non-exchange transaction even though there has not been a direct exchange between the entity and government.

## **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

### **Notes to the Financial Statements**

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An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

An entity shall apply this Interpretation for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is encouraged. If an entity applies this Interpretation for a period beginning before 1 April 2019, it shall disclose that fact.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

The impact of this interpretation is currently being assessed.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018 2017

### 3. Inventories

Consumable stores	13 744 420	9 333 202
Stands	5 420 000	5 420 000
	<b>19 164 420</b>	<b>14 753 202</b>

The carrying value of inventories is disclosed at lower of cost or net realisable value.

### 4. Other financial assets

#### At amortised cost

Stand sale arrangements	2 447 887	2 669 089
Fixed deposits - listed	26 887 399	25 174 276
	<b>29 335 286</b>	<b>27 843 365</b>

The 'stand sale arrangements' 2017 comparative amount of R 2.6 million has been restated from R 2.9 million. (See note 60)

#### Non-current assets

At amortised cost	26 887 399	25 174 276
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#### Current assets

At amortised cost	2 447 887	2 669 089
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#### Financial assets at amortised cost

#### Council's valuation of listed investments

Liberty Group limited	10 762 079	9 635 115
Standard Bank	16 125 319	15 539 163
	<b>26 887 398</b>	<b>25 174 278</b>

#### Reconciliation of stand sale arrangements

Stand sale arrangement	2 447 887	2 669 089
Less: Current portion	(2 447 887)	(2 669 089)

#### Non-current portion of stand sale arrangements

Fair value of investments are at book value as at 30 June 2018.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above.

Fixed deposits of R 10 762 079 and R 16 125 319 have been made with Liberty and Standard Bank of South Africa respectively to repay loans of R 15 000 000 and R 30 000 000 on maturity date.

#### Loans to staff and the public

To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

#### Stand sale arrangements

As from 1 March 2004 no loan agreement has been entered into for the sale of stands. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Arrangements were made to enable people to purchase stands from the Council. These arrangements are repayable within 60 days.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

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### 5. Receivables from non-exchange transactions

#### 5.1 Traffic fines

Fines	<u>43 961 105</u>	<u>73 382 503</u>
<b>Reconciliation of traffic fines</b>		
Opening balance	73 382 503	45 691 683
Less: Adjustments prior year	-	(2 759 351)
Issued	40 684 727	46 681 400
Less: Withdrawn	(913 400)	(3 237 571)
Less: Fines receipted	(4 849 487)	(4 796 500)
Less: Provision for impairment	(64 343 238)	(8 197 158)
<b>Balance at the end of the year</b>	<b><u>43 961 105</u></b>	<b><u>73 382 503</u></b>
<b>Reconciliation of provision for traffic fines</b>		
Opening balance	26 798 313	18 601 155
Provision for impairment	64 343 237	8 197 157
	<b><u>91 141 550</u></b>	<b><u>26 798 312</u></b>

#### Receivables from non-exchange transactions

The Accounting Standard Board amended GRAP 1 applying the Probability Test on the Initial Recognition of Revenue to include revenue from non- exchange transactions. This amendment is applicable to municipalities from 1 July 2013. GRAP 1 indicates that entities should not consider the probability of non- payment on the initial recognition of revenue. This should be considered as a subsequent even when assessing impairment.

Fine revenue of all fines issued during the current year amounted to R 39 771 327 (2017: R 40 684 478). The outstanding fines were assessed for impairment based on the payment history of fines issued and measures put in place to recover the outstanding amount.

The recovery of traffic fines is a protracted process due to the administrative and court procedures.

#### Credit quality of receivables from non-exchange transactions

Traffic fines are payable as determined by the fine. The credit period granted is considered to be consistent with the established practices and legislation.

The municipality's historical experience in collection of traffic fines fall within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from non-exchange transactions.

#### 5.2. Operating lease asset (accrual)

Current assets	<u>173 357</u>	<u>149 816</u>
<b>Municipality as lessor: Future minimum lease repayments receivable</b>		
Less than one year	445 409	406 659
Between one year and five years	1 585 328	2 001 513
More than five years	110 026	139 250
	<b><u>2 140 763</u></b>	<b><u>2 547 422</u></b>

Operating leases relate to property owned by the municipality with lease terms of between one (1) and twenty (20) years, with an option to extend the lease. The lessee does not have an option to purchase the property at the expiry of the lease period. The properties are maintained by the tenant, at their cost.

The municipality has operating lease agreements for the following classes of assets which are only significant collectively.

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- Municipal buildings
- Vacant land

Operating lease income and expenditure have been recognised on a straight line basis over the lease term. The effect of accounting for operating leases on the straight line basis had the above effect.

No restrictions have been imposed on the municipality in terms of the operating lease agreements

### 6. Receivables from exchange transactions

Trade debtors	229 050 606	207 385 192
Prepayments	6 615 132	7 890 298
Other receivables	29 056 132	27 281 662
Bursary loans	586 374	588 430
	<b>265 308 244</b>	<b>243 145 582</b>
Provision for impairment of receivables	(26 896 004)	(22 357 001)
	<b>238 412 240</b>	<b>220 788 581</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	22 357 001	23 555 773
Provision for impairment	10 286 853	(1 198 772)
Amounts written off as uncollectible	(5 747 850)	-
	<b>26 896 004</b>	<b>22 357 001</b>

The impairment allowance mainly represents the outstanding amounts due to the municipality by indigent consumables.

Credit quality of receivables from exchange transactions

Trade and other debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivable on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

### 7. Consumer debtors

<b>Gross balances</b>		
Rates	159 747 326	131 662 346
Electricity	197 492 845	175 552 844
Refuse	69 066 027	58 453 856
	<b>426 306 198</b>	<b>365 669 046</b>

### Less: Allowance for impairment

Rates	(132 340 973)	(114 151 077)
Electricity	(98 941 880)	(92 784 584)
Refuse	(59 681 961)	(51 698 256)
	<b>(290 964 814)</b>	<b>(258 633 917)</b>

### Net balance

Rates	27 406 353	17 511 269
Electricity	98 550 965	82 768 260
Refuse	9 384 066	6 755 600
	<b>135 341 384</b>	<b>107 035 129</b>

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

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<b>Included in above is receivables from exchange transactions</b>		
Electricity	98 550 965	82 768 260
Refuse	9 384 066	6 755 600
	<b>107 935 031</b>	<b>89 523 860</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	27 406 353	17 511 269
<b>Net balance</b>	<b>135 341 384</b>	<b>107 035 129</b>
<b>Rates</b>		
Current (0 -30 days)	9 333 209	7 709 831
31 - 60 days	5 433 544	3 864 824
61 - 90 days	3 793 069	3 193 455
91 - 120 days	3 590 317	3 016 564
121 - 365 days	137 597 186	113 877 672
	<b>159 747 325</b>	<b>131 662 346</b>
<b>Electricity</b>		
Current (0 -30 days)	62 010 928	58 882 402
31 - 60 days	10 421 706	8 433 616
61 - 90 days	5 860 226	4 757 065
91 - 120 days	17 687 175	6 137 955
121 - 365 days	101 512 810	97 341 806
	<b>197 492 845</b>	<b>175 552 844</b>
<b>Refuse</b>		
Current (0 -30 days)	3 574 191	2 913 936
31 - 60 days	1 785 671	1 372 924
61 - 90 days	1 311 323	1 144 078
91 - 120 days	1 256 771	1 094 429
121 - 365 days	61 138 070	51 928 489
	<b>69 066 026</b>	<b>58 453 856</b>

## Greater Tzaneen Municipality

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#### Summary of debtors by customer classification

##### **Consumers**

Current (0 -30 days)	25 018 711	26 455 989
31 - 60 days	7 811 301	6 264 761
61 - 90 days	4 837 055	4 364 409
91 - 120 days	4 103 348	4 186 060
121 - 365 days	191 386 528	156 002 950
	<b>233 156 943</b>	<b>197 274 169</b>

##### **Industrial/ commercial**

Current (0 -30 days)	43 144 736	38 850 588
31 - 60 days	6 785 389	5 338 111
61 - 90 days	4 463 331	2 984 711
91 - 120 days	14 197 481	4 635 149
121 - 365 days	91 885 861	88 222 067
	<b>160 476 798</b>	<b>140 030 626</b>

##### **National and provincial government**

Current (0 -30 days)	1 431 910	1 033 180
31 - 60 days	936 908	125 944
61 - 90 days	789 350	655 391
91 - 120 days	549 684	594 319
121 - 365 days	11 499 710	10 236 592
	<b>15 207 562</b>	<b>12 645 426</b>

##### **Total**

Current (0 -30 days)	5 074 274	3 569 463
31 - 60 days	3 223 969	1 400 430
61 - 90 days	1 541 872	1 175 342
91 - 120 days	4 031 779	959 902
121 - 365 days	3 593 001	8 613 688
	<b>17 464 895</b>	<b>15 718 825</b>

##### **Total**

**426 306 198**

**365 669 046**

#### Consumer debtors pledged as security

No porting of accounts receivables was pledged as security for any financial liabilities

#### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor impaired can be assessed by reference to historical information about counterparty default rates:

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's consumer debtors.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

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### **Fair value of consumer debtors**

The fair value of accounts receivable approximates their carrying amounts.

#### **Consumer debtors**

No security is held for any of the accounts receivable.

#### **Consumer debtors impaired**

As of 30 June 2018, consumer debtors of R 290 964 813 (2017: R 258 633 917) were impaired and provided for.

An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor may enter bankruptcy and default of delinquency in payments (more than 90 days overdue) are considered indicators that the consumer is impaired. An amount of R 9 978 766 (2017: 0) was written off during the year as uncollectable.

The amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking into account of any collateral held or other credit enhancements.

#### **Reconciliation of allowance for impairment of consumer debtors**

Opening balance	258 633 917	207 233 176
Allowance for impairment	42 309 662	51 400 741
Amounts written off as uncollectible	(9 978 766)	-
	<b>290 964 813</b>	<b>258 633 917</b>

### **8. Cash and cash equivalents**

Cash and cash equivalents consist of:

Bank balances	7 490 664	31 839 163
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No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

No restrictions exist regarding the use of cash.

## Greater Tzaneen Municipality

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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Consolidated cash book balance	-	-	-	7 490 664	31 839 163	54 369 420
ABSA BANK - Cheque account number 126 085 0527 Primary Bank Account						
ABSA BANK - Cheque account number - 404 896 4222	6 995 424	3 313 689	22 965 320	-	-	-
ABSA BANK - Cheque account number - 908 197 4990	487 580	1 510 568	317 479	-	-	-
ABSA BANK - Cheque account number - 405 144 4332	-	-	-	-	-	-
ABSA BANK - Liquidity plus account - 9312433930 (MIG)	4 692	22 534 572	8 228 881	-	-	-
ABSA BANK - Liquidity plus account - 9312434237 (INEP)	2 968	4 480 334	22 857 740	-	-	-
<b>Total</b>	<b>7 490 664</b>	<b>31 839 163</b>	<b>54 369 420</b>	<b>7 490 664</b>	<b>31 839 163</b>	<b>54 369 420</b>

The municipality has two bank accounts to control MIG and INEP funds separately.

An amount of R 2 724 847 (2017: R 30 523 329) of the unspent conditional grants is included in cash and cash equivalents.

#### Credit quality of Cash and cash equivalents

The credit quality of cash and cash equivalents that are neither past due nor impaired can be assessed by reference to the municipality's going concern ratio's which include current ratio, debt ratio and net income to net sales ratio.

#### 9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	183 057 053	-	183 057 053	173 182 753	-	173 182 753

#### Reconciliation of investment property - 2018

Investment property	Opening balance	Disposals	Change in valuation	Total
	173 182 753	(570 000)	10 444 300	183 057 053

#### Reconciliation of investment property - 2017

Investment property	Opening balance	Additions	Total
	166 041 000	7 141 753	173 182 753

#### Pledged as security

No investment properties was pledged as security for liabilities.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Details of valuation

The Greater Tzaneen Municipal valuations is based on the valuation roll which is reviewed every four years. The last valuation roll came into effect on 1 July 2017. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

### 10. Property, plant and equipment

	2018		2017	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	124 398 446	-	124 398 446	125 358 946
Infrastructure	2 254 746 249	(1 079 971 648)	1 174 774 601	2 317 944 656
Community	191 922 931	(36 293 467)	155 629 464	143 875 196
Work in progress	30 985 479	-	30 985 479	58 988 033
Other assets	65 290 797	(52 065 292)	13 225 505	69 982 364
Leased assets	10 920 221	(8 010 617)	2 909 604	(50 124 148)
<b>Total</b>	<b>2 678 264 123</b>	<b>(1 176 341 024)</b>	<b>1 501 923 099</b>	<b>2 730 498 302</b>
				(1 119 976 125)
				<b>1 610 522 177</b>

## Greater Tzaneen Municipality

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### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Write-Offs/ Disposals	Transfers	Depreciation	Impairment loss	Total
Land	125 358 946	49 500	(1 010 000)	-	(114 065 952)	(2 839 900)	124 398 446
Infrastructure	1 287 520 393	27 802 252	(23 642 192)	-	(4 110 327)	-	1 174 774 601
Community	111 326 461	48 501 470	(88 140)	-	-	-	155 629 464
Work in progress	58 988 033	47 725 910	-	(75 728 464)	-	-	30 985 479
Other assets	19 858 216	437 012	(1 284 682)	-	(5 785 041)	-	13 225 505
Leased assets	7 470 128	-	(2 590 714)	-	(1 969 810)	-	2 909 604
	<b>1 610 522 177</b>	<b>124 516 144</b>	<b>(28 615 728)</b>	<b>(75 728 464)</b>	<b>(125 931 130)</b>	<b>(2 839 900)</b>	<b>1 501 923 099</b>

### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	125 358 946	-	(213 379)	-	(117 462 149)	-	125 358 946
Infrastructure	1 373 848 929	32 169 915	-	-	(3 795 106)	(822 923)	1 287 520 393
Community	94 215 242	20 906 325	-	-	-	-	111 326 461
Work in progress	52 887 257	60 501 644	-	(54 400 868)	-	-	58 988 033
Other assets	22 391 021	3 451 425	(153 203)	-	(5 831 027)	-	19 858 216
Leased assets	4 326 281	5 718 518	(741 822)	-	(1 832 849)	-	7 470 128
	<b>1 613 027 676</b>	<b>122 747 827</b>	<b>(1 108 404)</b>	<b>(54 400 868)</b>	<b>(128 921 131)</b>	<b>(822 923)</b>	<b>1 610 522 177</b>

### Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

The 2016/2017 comparative amount of R 1.577 billion on property, plant and equipment has been restated from R 1.560 billion (see note 60).

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The prior period balances were restated for prior year errors. Refer to note 59 for detail.

A detailed breakdown of property plant and equipment by asset class can be found in Annexure "B".

### **11. Intangible assets**

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 605 102	(2 001 634)	1 603 468	2 454 305	(1 319 263)	1 135 042

#### **Reconciliation of intangible assets - 2018**

	Opening balance	Additions	Amortisation	Total
Computer software and license	1 135 042	1 150 797	(682 371)	1 603 468

#### **Reconciliation of intangible assets - 2017**

	Opening balance	Additions	Amortisation	Total
Computer software and license	929 501	631 368	(425 827)	1 135 042

#### **Pledged as security**

No intangible assets have been pledged as security for any liability.

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

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#### 12. Other financial liabilities

##### At amortised cost

###### Other

DBSA local registered loan stock	15 000 000	15 000 000
Loan Stock - Standard Bank	30 000 000	30 000 000
	<b>45 000 000</b>	<b>45 000 000</b>

##### At amortised cost

Annuity loan - DBSA	32 041 868	33 655 026
Annuity loan - ABSA	18 340 756	19 673 107
Annuity loan - INCA	1 953 417	5 523 180
Annuity loan - Standard Bank	4 565 172	8 147 524
Annuity loan - DBSA	-	7 738 405
	<b>56 901 213</b>	<b>74 737 242</b>

#### Total other financial liabilities

**101 901 213** **119 737 242**

#### Non-current liabilities

Other	45 000 000	45 000 000
Annuity loans	47 315 415	57 661 329
	<b>92 315 415</b>	<b>102 661 329</b>

#### Current liabilities

At amortised cost	<b>9 585 798</b>	<b>17 075 913</b>
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The 2017 comparative amount of R 74.737 million has been restated from R 74.493 million (see note 59).

#### Annuity loan - Standard Bank

This loan of R21 011 000 was taken up on 30 June 2012. The loan bears interest at a fixed rate of 11,8% and will be fully redeemed on 30 June 2019.

#### Annuity loan - ABSA

This loan of R25 140 000 was taken up on 15 August 2010. The loan bears interest at a fixed rate of 10,62% and will be fully redeemed on 31 July 2025.

#### Annuity loan - DBSA

A loan of R41 000 000 of which R 35 010 350 has been allocated during the 2010 / 2011 financial year was taken up to finance capital projects. This loan bears interest at a fixed rate of 6,75% per annum and will be fully redeemed on 31 October 2030.

#### Annuity loan - INCA

The loan has been taken up to finance the purchase of land. It bears interest at a fixed rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

#### Loan stock: DBSA (Excelsior 1 000 investment)

An annual investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate and will be redeemed on 30 September 2019.

## Greater Tzaneen Municipality

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#### Annuity loan: DBSA

A loan of R 31 300 000 has been allocated to the municipality during May 2016 by DBSA. The loan bears interest at a fixed rate of 9% and will be fully redeemed on 30 June 2018. The loan is in respect of the DBSA, INEP frontloading programme as proposed by the Department of Energy (DOE).

#### Loan Stock: Standard Bank

A loan of R 30 000 000 has been taken up to finance capital projects. The loan bears interest at a fixed rate of 12.09 % per annum and will be redeemed on 16 October 2025.

#### Undrawn borrowings

There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2018.

None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.

The municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

#### 13. Finance lease obligation

##### Minimum lease payments due

- within one year	934 458	2 443 258
- in second to fifth year inclusive	632 049	4 054 507
	1 566 507	6 497 765
less: future finance charges	(139 534)	(1 180 633)
<b>Present value of minimum lease payments</b>	<b>1 426 973</b>	<b>5 317 132</b>

##### Present value of minimum lease payments due

- within one year	824 306	1 758 832
- in second to fifth year inclusive	602 667	3 558 300
	1 426 973	5 317 132

##### Non-current liabilities

Current liabilities	602 667	3 558 300
	824 306	1 758 832
<b>1 426 973</b>	<b>5 317 132</b>	

The average lease term was 2 to 3 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and others escalate. No arrangements have been entered into for contingent rent.

The carrying value of these leased assets are included under property, plant and equipment.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

The municipality terminated its contract with Itec Finance on the 24th of October 2017 for leased photocopier machines.

No new leases entered into for the current reporting period.

No terms and conditions of the finance leases were re-negotiated during the reporting period.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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<b>14. Payables from exchange transactions</b>		
Trade payables	126 844 908	97 454 219
Payments received in advanced	6 615 132	7 890 298
Staff leave	35 880 487	34 555 827
Retention	23 652 174	27 737 228
Unknown direct deposits	3 798 158	3 769 045
13th Cheque	7 397 615	6 954 843
	<b>204 188 474</b>	<b>178 361 460</b>

### Trade payables

The average credit period on purchases is 30 days from receipt of the invoice, as determined by Section 99 of the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

### Payables received in advance

Payments received in advance are non-interest bearing and normally settled on 30 day terms

### Staff leave

Annual leave accrues to employees on a monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

### Retention

Retention is non-interest bearing and settled in terms of the contract agreement.

### Unknown direct deposits

The origin of the deposits could not be determined at year-end.

### 13th Cheque

A 13th cheque or annual bonus accrues to staff on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff and is paid after the completion of twelve months. The municipality has an obligation to pay a service bonus in terms of its conditions of employment.

The carrying value of payables from exchange transactions approximate their fair values. The fair value is determined after considering the standard terms and conditions of agreements entered into by the municipality and the parties.

The municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

## 15. VAT payable

Net VAT payable	36 385 491	33 376 034
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The financial statements have been prepared on the accrual basis whilst VAT is payable to SARS on the payments basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made. Interest on late payment is charged according to SARS policies. In terms of the VAT Act, the VAT increased from 14% to 15% from 01 April 2018.

## 16. Consumer deposits

Electricity	26 858 463	23 129 385
Gaurantees held in lieu of electricity deposits	3 339 030	3 523 530

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given to business consumers on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

### 17. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

**Unspent conditional grants and receipts**

Grants - other	<u>2 924 848</u>	30 523 328
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The 2017 comparative amount of R 30.523 billion has been restated from R 19.163 million (see note 60).

#### Movement during the year

Balance at the beginning of the year	30 523 329	19 434 127
Prior period correction	-	11 359 523
Additions during the year	134 005 000	190 556 000
Income recognition during the year	(128 668 830)	(173 673 279)
Administration fee recognised during the year	(6 047 100)	(5 187 699)
Overspending adjustment	(8 769 017)	8 769 017
Roll over adjustment	(2 739 308)	(1 242 960)
VAT	(15 379 226)	(19 491 400)
	<b>2 924 848</b>	<b>30 523 329</b>

The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilized. The total grants recognised in the statement of financial performance are disclosed in note 23.

### 18. Provisions

**Reconciliation of provisions - 2018**

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill site	4 205 927	420 593	-	4 626 520
Provision for performance bonuses	606 890	-	(161 166)	445 724
	<b>4 812 817</b>	<b>420 593</b>	<b>(161 166)</b>	<b>5 072 244</b>

**Reconciliation of provisions - 2017**

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill site	3 823 570	382 357	-	4 205 927
Provision for performance bonuses	688 535	-	(81 645)	606 890
	<b>4 512 105</b>	<b>382 357</b>	<b>(81 645)</b>	<b>4 812 817</b>

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
Non-current liabilities	4 626 520	4 205 927
Current liabilities	445 724	606 890
	<b>5 072 244</b>	<b>4 812 817</b>

#### Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. Provision is made in terms of the municipality's licensing stipulations on the waste landfill site. The provision has been determined on the basis of independent valuations by environmental consultants. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

#### Provision for performance bonuses

Performance bonuses accrue to Section 57 managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonuses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

#### 19. Employee benefit obligations

##### Defined benefit plan

The total amount recognised in the statement of financial position is as follows:

###### Carrying value

Defined benefit obligation - long service award	12 977 156	11 669 376
Defined benefit obligation - post retirement medical aid plan	70 844 367	72 553 728
	<b>83 821 523</b>	<b>84 223 104</b>

##### Post-retirement medical aid plan

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the municipality's decision on protected rights.

The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation which was performed by ARCH Actuarial Consulting is 30 June 2018.

###### Plan assets

Currently, no long-term assets are set aside off - balance sheet in respect of the employer's post-employment health care liability.

The Projected Unit Credit Method was used to value the liabilities and the liability for eligible employees is accrued over their expected working lifetime.

Membership of health care arrangements entitled to a post-employment medical aid subsidy at reporting date was:

In - service members	385	386
In - service non-members	268	275
Continuation members	53	52
	<b>706</b>	<b>713</b>

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017			
<b>The amount recognised in the statement of financial position is as follows:</b>					
<b>Carrying value</b>					
Present value of the defined benefits obligations - wholly unfunded	<u>70 844 367</u>	<u>72 553 728</u>			
<b>Changes in the present value of the defined benefit obligation are as follows:</b>					
Opening balance	72 553 728	74 141 098			
Benefit paid	(2 172 117)	(1 952 316)			
Net expense recognised in the statement of financial performance	462 756	364 946			
	<u>70 844 367</u>	<u>72 553 728</u>			
<b>Net expense recognised in the statement of financial performance</b>					
Current cost	3 981 762	4 166 836			
Interest cost	7 017 670	6 662 887			
Actuarial (gains)/losses	(10 536 676)	(10 464 777)			
	<u>462 756</u>	<u>364 946</u>			
<b>Calculation of actuarial gains and losses</b>					
Actuarial (gains)/losses	<u>(10 536 676)</u>	<u>(10 464 777)</u>			
<b>Key assumptions used</b>					
<b>Assumptions used at reporting date</b>					
Discount rate used	9.66 %	9.82 %			
Health care cost inflation rate	7.45 %	8.09 %			
Net discount rate	2.06 %	1.60 %			
Average retirement rate	61	61			
<b>Best estimate of contribution expected to be paid</b>					
Expected benefit to be paid	2 217 321	2 172 117			
<b>Other assumptions</b>					
The sensitivity analysis is based on the total liability which includes water and sewerage.					
Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or deficit. The effect of a one percentage movement in the assumed rate of health care cost inflation is as follows:					
<b>Increase</b>					
Effect of aggregate service cost and interest cost	14 295 400	14 162 400			
Effect on the defined benefit obligation	89 597 000	92 705 000			
<b>Decrease</b>					
Effect of aggregate service cost and interest cost	(10 170 200)	(9 952 500)			
Effect on the defined benefit obligation	(67 172 000)	(68 776 000)			
Amounts for the current and previous four years are as follows:					
	2018	2017	2016	2015	2014
	R	R	R	R	R
Defined benefit obligation	70 844 367	72 553 728	74 141 098	65 494 316	55 596 329
Surplus (deficit)	(70 844 367)	(72 553 728)	(74 141 098)	(65 494 316)	(55 596 329)

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

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#### Long service awards

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 654 (2017: 661) employees that are entitled to long service leave awards on 30 June 2018. The long service leave awards liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

**The amounts recognised in the statement of financial position are as follows:**

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	12 977 156	11 669 376
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#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11 669 376	11 622 662
Benefits paid	(976 674)	(1 258 362)
Net expense recognised in the statement of financial performance	2 284 454	1 305 076
	<b>12 977 156</b>	<b>11 669 376</b>

#### Net expense recognised in the statement of financial performance

Current service cost	1 154 289	1 185 355
Interest cost	940 824	937 112
Actuarial (gains) losses	189 341	(817 391)
	<b>2 284 454</b>	<b>1 305 076</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	189 341	(817 391)
---------------------------------------	---------	-----------

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.43 %	8.41 %
Expected increase in salaries	6.06 %	6.23 %
Other material actuarial assumptions [provide details]	2.23 %	2.05 %
Average retirement age	61	61

#### Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

#### Increase

Effect of aggregate service cost and interest cost	2 473 400	2 496 900
Effect on defined benefit obligation	15 137 000	13 615 000

#### Decrease

Effect of aggregate service cost and interest cost	(2 162 200)	(2 159 600)
Effect on defined benefit obligation	(13 580 000)	(12 119 000)

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
	R	R
Defined benefit obligation	12 977 156	11 669 376
Surplus (deficit)	(12 977 156)	(11 669 376)

### Defined contribution plan

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	49 198 630	47 097 500
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The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/ employees leave plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the statement of financial performance of R 49 million represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Included in defined contribution plan of R 49 198 630 above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution plans.

The amounts disclosed above includes an amount of R 1 657 183 which represents the contributions for councilors.

### Joint Municipal Pension Fund

The Joint Municipal Pension Fund's contribution rate payable is 9% by the members and 22% by council.

15 071

### Municipal Employees pension fund

The contribution rate paid by the members of 7.5% and council of 22% or 18% are sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended revealed that the funding level is 100%

2 334 578      2 004 113

### Municipal Employees Gratuity Fund

The contribution paid by the members of 7.5% or 9% and council 22% or 18% is sufficient to fund the benefits accruing from the fund in future.

At the valuation date of 30 June 2015 the gratuity fund was funded and revealed that the fund was certified to be in a sound financial position.

7 580 663      7 429 901

### Municipal Fund for Municipal Workers

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

37 626 206      34 698 699

## Greater Tzaneen Municipality

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#### Municipal councillors pension fund

The municipal councillors' pension fund operates as a defined contribution scheme. The contribution rate paid by the members is 28.75% and no contribution is made by Council.

#### 20. Service charges

Sale of electricity	444 092 394	411 996 561
Sale of prepaid electricity	7 930 880	5 832 309
Indigent charges	1 798 946	1 108 507
Refuse removal	30 990 314	27 526 219
Other service charges	247 871	1 017 639
	<b>485 060 405</b>	<b>447 481 235</b>

The 2017 comparative amount of R 447.481 million has been restated from R 447.720 million (see note 60).

The amounts disclosed above for sale of electricity, indigent charges and refuse removal are in respect of services rendered and are billed to the consumers on a monthly basis according to council's approved tariffs.

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

#### 21. Other income

Credit control actions	1 040 188	90 812
Environmental health services	23 856	46 061
Grant admin fee	9 011 975	10 251 235
Insurance claims	9 544	4 752 152
Library services	7 753	10 200
Motor vehicle and drivers licence	8 022 362	8 843 677
Recoveries	1 181 767	428 765
Sundry income	574 094	557 022
Valuation certificates	110 100	81 610
VAT on grants	18 118 534	19 491 398
Other income	67 203	163 784
	<b>38 167 376</b>	<b>44 716 716</b>

The amounts disclosed above as other income are in respect of services rendered, other than disclosed in note 20, which are billed to or paid for by the users of services as required according to councils approved tariffs.

#### 22. Property rates

##### Rates levied

Residential	41 106 934	36 863 151
Commercial	35 894 071	25 695 215
State	7 046 036	5 683 113
Other	15 242 482	12 546 370
	<b>99 289 523</b>	<b>80 787 849</b>
Property rates - penalties imposed	8 203 616	8 157 882
	<b>107 493 139</b>	<b>88 945 731</b>

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### Valuations

	R'000	R '000
Residential	6 525 395	5 090 502
Commercial	2 855 825	2 161 805
State	1 657 355	478 135
Municipal	385 999	367 279
Agriculture	4 197 687	4 119 207
Other	184 106	142 446
	<b>15 806 367</b>	<b>12 359 374</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rates are levied on a monthly basis and are payable by the 25th of each month, owners are allowed to pay the annual instalment by 30 September each year. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

### 23. Government grants and subsidies

#### Operating grants

Equitable share	295 577 000	291 112 962
Neighbourhood Grant	594 188	5 361 114
Finance Management Grant	2 145 000	1 809 999
SETA	-	968
Municipal Infrastructure Grant	98 925 621	118 749 834
National - Electrification Grant	22 086 020	39 965 361
DOE Grant	-	5 837 001
EPWP	4 918 000	1 949 000
	<b>424 245 829</b>	<b>464 786 239</b>

The municipality does not foresee a significant change in the level of grant funding. Unconditional grants are used to subsidise the provision of basic services to indigent communities. Conditional grants are for operating and capital expenditure. Other than the amount unspecif, the conditions of the grants have been met.

#### Unconditional Grants

##### Equitable shares

Current year receipts	295 577 000	291 112 962
Conditions met - operating	(295 577 000)	(291 112 962)

##### Conditions still to be met - transferred to liabilities

-	-
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The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

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#### Conditional Grants

##### Drought relieve programme

Balance unspent at beginning of year	30 700	30 700
Transfer to revenue	(30 700)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>30 700</b>

Conditions still to be met - remain liabilities (see note 17).

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

#### SETA

##### Balance unspent at beginning of year

441 931

442 899

##### Conditions met - transferred to revenue

(968)

##### Transfer to revenue

(441 931)

##### Conditions still to be met - transferred to liabilities

**441 931**

Conditions still to be met - remain liabilities (see note 17).

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

#### Municipal Infrastructure Grant

##### Balance unspent at beginning of year

15 830 308

-

##### Current-year receipts

101 742 000

154 797 000

##### Conditions met - transferred to revenue

(98 925 621)

(118 749 835)

##### VAT on Grant (own Revenue)

(13 849 587)

(16 624 977)

##### Administration fee

(4 797 100)

(3 591 880)

##### Conditions still to be met - transferred to liabilities

**15 830 308**

Conditions still to be met - remain liabilities (see note 17).

MIG funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

#### Department of Minerals and Energy

##### Balance unspent at beginning of year

33 186

33 186

##### Transferred to revenue

(33 186)

##### Conditions still to be met - transferred to liabilities

**33 186**

Conditions still to be met - remain liabilities (see note 17).

The main aim of this grant is to supply the farmers (workers) with electricity and the funds were used for the electrification of the farmer houses (workers houses) within the Greater Tzaneen Municipality. This was according to the DME (Department of Minerals and Energy) standards.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

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### National Electrification Grant

Balance unspent at beginning of year	11 359 522	9 495 586
Prior period correction	-	11 359 522
Current-year receipts	25 000 000	25 000 000
Conditions met - transferred to revenue	(22 086 020)	(39 965 361)
VAT on grants (own revenue)	(1 529 639)	(2 049 242)
Administration fees	(1 250 000)	(1 250 000)
Overspending on previous years allocation	(8 769 017)	8 769 017
<b>Conditions still to be met - transferred to liabilities</b>	<b>2 724 846</b>	<b>11 359 522</b>

Conditions still to be met - remain liabilities (see note 17).

The grant was used for electrification of farm labour housing and schools.

### Community Based Projects

Balance unspent at beginning of year	356 878	356 878
Transfer to revenue	(356 878)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>356 878</b>

Conditions still to be met - remain liabilities (see note 17).

The funds were used for the training of lead facilitators, ward-based facilitators and community based projects roll out to the wards.

### Neighbourhood Grant

Balance unspent at beginning of year	1 919 413	7 280 527
Transfer to revenue	(1 325 225)	-
Conditions met - transferred to revenue	(594 188)	(5 361 114)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>1 919 413</b>

Conditions still to be met - remain liabilities (see note 17).

These funds were used to embellish the entrances of various towns and villages.

### Cleanest Town

Balance unspent at beginning of year	450 766	450 766
Current-year receipts	200 000	-
Transferred to revenue	(450 766)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>200 000</b>	<b>450 766</b>

Conditions still to be met - remain liabilities (see note 17).

Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips.

### MSIG Establishment Grant

Balance unspent at beginning of year	-	140 767
Roll over adjustment	-	(140 767)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

The grant is used to upgrade the financial systems of the Municipality and to provide training to officials.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Upgrade of sport facilities</b>		
Balance unspent at beginning of year	100 623	100 623
Transferred to revenue	(100 623)	-
<b>Conditions still to be met - transferred to liabilities</b>	<hr/> -	<hr/> 100 623
Conditions still to be met - remain liabilities (see note 17).		
This grant was used to upgrade sport facilities in towns and villages.		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	-	115 732
Current-year receipts	2 145 000	1 809 999
Conditions met - transferred to revenue	(2 145 000)	(1 809 999)
Other	-	(115 732)
<b>Conditions still to be met - transferred to liabilities</b>	<hr/> -	<hr/> -
The grant is used to support financial management.		
<b>DOE Grant</b>		
Balance unspent at beginning of year	-	986 463
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	-	(5 837 001)
Administration fees	-	(345 819)
VAT on grants	-	(817 180)
Roll over adjustment	-	(986 463)
<b>Conditions still to be met - transferred to liabilities</b>	<hr/> -	<hr/> -
Energy efficiency and demand side management. Retrofitting of old street lights.		
<b>EPWP Grant</b>		
Current-year receipts	4 918 000	1 949 000
Conditions met - transferred to revenue	(4 918 000)	(1 949 000)
<b>Conditions still to be met - transferred to liabilities</b>	<hr/> -	<hr/> -
The grant is used for rural waste removal.		
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>24. Donations received</b>		
<b>2017/2018</b>		
Greater Tzaneen Municipality received a donation of speed humps from TBC Company on Agatha street on the 13 March 2018. The speed humps were accounted for at cost of R49 272 as the cost information was provided by TBC.		
<b>2016/2017</b>		
No donation of assets have been received during the 2016/2017 financial year.		

## Greater Tzaneen Municipality

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#### 25. Revenue

Service charges	485 060 405	447 481 235
Rental of facilities and equipment	1 781 896	1 644 365
Interest received (trading)	18 395 501	15 321 021
Agency services	7 988 116	6 304 686
Licences and permits	1 005 867	824 244
Other income	38 167 376	44 716 716
Interest received - investment	4 427 275	8 253 077
Property rates	99 289 523	80 787 849
Property rates - penalties imposed	8 203 616	8 157 882
Government grants & subsidies	424 245 829	464 786 239
Public contributions and donations	49 272	-
Fines	40 306 473	41 154 820
Note 54	<b>1 128 921 149</b>	<b>1 119 432 134</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	485 060 405	447 481 235
Rental of facilities and equipment	1 781 896	1 644 365
Interest received (trading)	18 395 501	15 321 021
Agency services	7 988 116	6 304 686
Licences and permits	1 005 867	824 244
Other income	38 167 376	44 716 716
Interest received - investment	4 427 275	8 253 077
	<b>556 826 436</b>	<b>524 545 344</b>

The 'service charges' 2017 comparative amount of R 447.481 million has been restated from R 447.720 million (see note 60).

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	99 289 523	80 787 849
Property rates - penalties imposed	8 203 616	8 157 882
<b>Transfer revenue</b>		
Government grants & subsidies	424 245 829	464 786 239
Public contributions and donations	49 272	-
Fines	40 306 473	41 154 820
	<b>572 094 713</b>	<b>594 886 790</b>

#### 26. Employee related costs

Salaries and wages	195 554 188	185 415 433
Social contributions	45 522 664	41 516 283
Travel allowance	11 852 719	11 098 644
Overtime payments	25 477 677	26 108 037
Housing allowances	3 609 018	3 200 597
	<b>282 016 266</b>	<b>267 338 994</b>

No advances were made to employees during the year.

## Greater Tzaneen Municipality

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<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	356 123	888 214
Car Allowance	15 000	312 373
Contributions to UIF, Medical and Pension Funds	49 052	120 626
Telephone allowance	5 250	12 500
Leave pay	-	209 518
	<b>425 425</b>	<b>1 543 231</b>
The Municipal Manager was appointed on 1 April 2018.		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	147 738	752 743
Car Allowance	54 894	241 783
Contributions to UIF, Medical and Pension Funds	38 377	164 013
Leave pay	-	200 176
Telephone allowance	4 000	12 000
	<b>245 009</b>	<b>1 370 715</b>
The Chief Finance Officer was appointed on 1 May 2018.		
<b>Director Community Services</b>		
Annual Remuneration	238 075	1 043 669
Car Allowance	18 000	80 104
Contributions to UIF, Medical and Pension Funds	45 858	71 437
Leave pay	-	38 692
Telephone allowance	5 000	12 000
	<b>306 933</b>	<b>1 245 902</b>
The Director Community Services was appointed on 1 April 2018		
<b>Director Civil Engineering</b>		
Annual Remuneration	83 869	1 055 317
Car Allowance	25 000	182 000
Contributions to UIF, Medical and Pension Funds	2 554	82 105
Leave pay	-	166 857
Telephone allowance	2 000	13 000
	<b>113 423</b>	<b>1 499 279</b>
The Director Civil Engineering was appointed on 1 June 2018.		
<b>Director Planning and Economic Development</b>		
Annual Remuneration	309 433	907 241
Car Allowance	32 000	91 849
Contributions to UIF, Medical and Pension Funds	61 091	86 856
Telephone allowance	-	12 000
Acting allowance	-	57 320
	<b>402 524</b>	<b>1 155 266</b>

The Director Planning and Economic Development was appointed on 1 March 2018.

## Greater Tzaneen Municipality

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#### Director Corporate Services

Annual Remuneration	946 539	73 559
Car Allowance	72 000	6 000
Contributions to UIF, Medical and Pension Funds	192 234	11 486
Telephone allowance	14 000	1 000
Acting allowance	74 552	-
	<b>1 299 325</b>	<b>92 045</b>

The Director Corporate Services resigned with effect from 31 May 2015 and the position was vacant until 1 June 2017 when the position was filled.

#### Director Electrical Engineering

Annual Remuneration	1 040 371	326 373
Car Allowance	151 778	37 945
Contributions to UIF, Medical and Pension Funds	269 801	46 759
Telephone allowance	14 000	4 000
Acting allowance	173 472	-
Leave pay	-	65 889
	<b>1 649 422</b>	<b>480 966</b>

The Director Electrical Engineering was appointed with effect from 1 April 2017.

#### 27. Remuneration of councillors

##### Councillor

Mayor	860 032	837 911
Executive Committee allowance	1 888 916	1 647 993
Speaker and full-time councillors' allowances	4 614 143	4 177 509
Other councillors' allowances	17 069 321	15 793 971
	<b>24 432 412</b>	<b>22 457 384</b>

##### Mayor

Annual remuneration	619 810	606 297
Car allowance	206 603	198 146
Cellphone allowance	29 660	29 250
Contribution to medical aid and pension fund	3 959	4 218
	<b>860 032</b>	<b>837 911</b>

##### Speaker

Annual remuneration	495 847	450 655
Car allowance	165 282	150 263
Cellphone allowance	29 660	27 690
Contribution to medical aid and pension fund	3 215	2 660
	<b>694 004</b>	<b>631 268</b>

##### Chief Whip

Annual remuneration	464 828	437 874
Car allowance	154 953	145 958
Cellphone allowance	29 660	22 577
Contribution to medical aid and pension fund	3 923	3 994
	<b>653 364</b>	<b>610 403</b>

# Greater Tzaneen Municipality

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### In-kind benefits

The Mayor, Speaker and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor and Speaker have use of Council owned vehicles for official duties.

The Mayor has one full-time secretary, one manager and a gender, youth and disability programme.

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution. Refer to Government Gazette nr 41335.

### 28. Employees remuneration

#### Councillors

2018

	Emoluments	Other benefits*	Pension paid or receivable	SETA	Total
Letsoalo MM	259 330	86 443	29 660	2 256	377 689
Hlangwai ML	259 330	86 443	29 660	2 258	377 691
Prinsloo M	259 330	86 443	29 660	2 489	377 922
Sekhwela MM	259 330	86 443	29 660	2 489	377 922
Tiba MS	259 330	86 443	29 660	2 257	377 690
Maunatlala TT	464 858	154 953	29 660	4 347	653 818
Mbhalati NJ	464 858	154 953	29 660	4 345	653 816
Mkhabela DG	464 858	154 953	29 660	3 711	653 182
Machiman C	464 858	154 953	29 660	3 221	652 692
Ntimbane GE	464 858	154 953	29 660	3 794	653 265
Mangena MG	619 810	206 603	29 660	3 958	860 031
Mjmokg SS	196 147	65 382	29 660	-	291 189
Masetla SP	196 147	65 382	29 660	1 356	292 545
Raganya MS	196 147	65 382	29 660	1 356	292 545
Matita TL	196 147	65 382	29 660	1 745	292 934
Mohale MM	196 147	65 382	29 660	1 742	292 931
Rikhotoso NR	196 147	65 382	29 660	1 742	292 931
Zandamel NH	196 147	65 382	29 660	1 742	292 931
/banyini OK	196 147	65 382	29 660	1 742	292 931
Makwela MA	196 147	65 382	29 660	1 742	292 931
Pohl RE	196 147	65 382	29 660	1 919	293 108
Nkhwashi N	196 147	65 382	29 660	1 919	293 108
Mashuwan TH	196 147	65 382	29 660	1 742	292 931
Baloyi MS	196 147	65 382	29 660	1 742	292 931
Banyini J	196 147	65 382	29 660	1 742	292 931
Cronje PW	196 147	65 382	29 660	1 919	293 108
Kgafane DF	192 147	65 382	29 660	2 014	289 203
Kgatla MG	196 147	65 382	29 660	1 742	292 931
Kgatla MR	196 147	65 382	29 660	1 743	292 932
Lepulana LK	196 147	65 382	29 660	1 742	292 931
Maake MJ	196 147	65 382	29 660	1 919	293 108
Mafokwane MH	196 147	65 382	29 660	1 743	292 932
Makhubele JT	196 147	65 382	29 660	1 400	292 589
Makhubele GP	196 147	65 382	29 660	1 741	292 930
Malatji TE	196 147	65 382	29 660	1 742	292 931
Malamela D	196 147	65 382	29 660	1 919	293 108
Mapitja SM	196 147	65 382	29 660	1 421	292 610
Mathebula NP	196 147	65 382	29 660	2 235	293 424
Thlokwa MM	196 147	65 382	29 660	1 742	292 931
Maunatlala NG	196 147	65 382	29 660	1 743	292 932
MC Clintock TJ	196 147	65 382	29 660	1 919	293 108
Mochabela MF	196 147	65 382	29 660	1 919	293 108

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

Mohlaba FT	196 147	65 382	29 660	1 742	292 931
Mohonone SN	196 147	65 382	29 660	1 919	293 108
Morwatshehla MC	196 147	65 382	29 660	1 742	292 931
Mpenyana TR	196 147	65 382	29 660	1 420	292 609
Mukansi NG	196 147	65 382	29 660	1 919	293 108
Ngobeni JL	196 147	65 382	29 660	1 919	293 108
Ngobeni ET	196 147	65 382	29 660	1 420	292 609
Ngobeni SE	196 147	65 382	29 660	1 743	292 932
Phakula ME	196 147	65 382	29 660	1 919	293 108
Ramashaba SB	196 147	65 382	29 660	1 742	292 931
Raolane MO	196 147	65 382	29 660	1 919	293 108
Rapatsa KI	196 147	65 382	29 660	1 742	292 931
Rapitsi RS	196 147	65 382	29 660	1 742	292 931
Ratopola JM	196 147	65 382	29 660	2 248	293 437
Shisinga CT	196 147	65 382	29 660	1 743	292 932
Sithole O	196 147	65 382	29 660	1 919	293 108
Mbhalati MF	251 722	83 907	29 660	2 196	367 485
Makwala SC	251 722	83 907	29 660	2 193	367 482
Masila NA	251 722	83 907	29 660	2 193	367 482
Pudikabek ML	251 722	83 907	29 660	2 193	367 482
Ramodipa PJ	251 722	83 907	29 660	2 194	367 483
Mahasha NM	251 722	83 907	29 660	2 194	367 483
Makwala MM	251 722	83 907	29 660	2 196	367 485
Nkwashu MC	249 922	83 907	29 660	2 196	365 685
Malatji GM	251 722	83 907	29 660	2 421	367 710
Mmetle DJ	495 847	165 316	29 660	3 215	694 038
Nhemo CS	464 828	154 953	29 660	3 923	653 364
	<b>16 680 032</b>	<b>5 561 969</b>	<b>2 046 540</b>	<b>143 871</b>	<b>24 432 412</b>

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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2017

	Emoluments	Other benefits*	Pension paid or receivable	SETA	Total
Mboweni MN	48 796	16 265	2 300	427	67 788
Mmetle DJ	479 843	159 948	28 644	2 877	671 312
MM Mola SS	19 610	6 537	2 300	-	28 447
MJ Mokgoloboto SS	185 044	61 681	22 800	-	269 525
Mushwana TS	19 610	6 537	2 300	-	28 447
R Selomo SR	48 796	16 265	2 300	429	67 790
Mothiba MJ	19 610	6 537	2 300	179	28 626
Baloyi C	19 610	6 537	2 300	179	28 626
Jansen van Vuuren AE	19 610	6 537	2 300	179	28 626
Mahori S	19 610	6 537	2 300	179	28 626
Masetla SP	185 044	61 681	22 800	1 250	270 775
Mhlongo TL	19 610	6 537	2 300	179	28 626
Ndove DL	19 610	6 537	2 300	179	28 626
Raganya MS	185 044	61 681	22 800	1 250	270 775
Ramolefo ME	19 610	6 537	2 300	179	28 626
Sibiya M	19 610	6 537	2 300	179	28 626
Mohale NL	19 610	6 537	2 300	179	28 626
Matita TL	185 044	61 681	22 800	1 250	270 775
Mokgobi ML	19 610	6 537	2 300	179	28 626
Sekgotodi PJ	26 964	8 988	2 300	241	38 493
Mabuza GQ	19 610	6 537	2 300	179	28 626
Valentine LM	19 610	6 537	2 300	179	28 626
Mbhalati MF	229 110	76 370	22 790	1 561	329 831
Makhudu MR	19 610	6 537	2 300	179	28 626
Mohale MM	185 044	61 681	22 800	1 250	270 775
Mashave PM	19 610	6 537	2 300	179	28 626
Rikhotsu NR	185 044	61 681	22 800	1 251	270 776
Mhlarhi DQ	19 610	6 537	2 300	179	28 626
Nghonyama RP	19 610	6 537	2 300	179	28 626
Zandamela NH	185 044	61 681	22 800	1 250	270 775
Banyini OK	185 044	61 681	22 800	1 252	270 777
Mboweni MS	19 610	6 537	2 300	179	28 626
Makwala SC	229 110	76 370	22 790	1 560	329 830
Ndhlovu ND	19 610	6 537	2 300	179	28 626
Nghondzweni GG	19 610	6 537	2 300	179	28 626
Masila NA	229 110	76 370	22 790	1 560	329 830
Pudikabewa ML	229 110	76 370	22 790	1 561	329 831
Ramodipa PJ	229 110	76 370	22 790	1 560	329 830
Letsoalo MM	236 960	78 986	22 790	1 687	340 423
Makwela MA	185 044	61 681	22 800	1 250	270 775
Mamogale MC	19 610	6 537	2 300	179	28 626
Pohl RE	191 575	63 858	22 790	1 708	279 931
Sabela M	19 610	6 537	2 300	179	28 626
MC Neil MR	19 610	6 537	2 300	221	28 668
Magoro MH	19 610	6 537	2 300	179	28 626
Maake DT	19 610	6 537	2 300	179	28 626
Manyama TS	19 610	6 537	2 300	221	28 668
Malebati MA	19 610	6 537	2 300	169	28 616
Nkhwashu N	179 782	59 927	22 183	1 760	263 652
Mashele MB	19 610	6 537	2 300	221	28 668
Hlangwane ML	243 529	81 176	22 790	1 601	349 096
Machethe ML	19 610	6 537	2 300	179	28 626
Machimana C	441 126	147 041	22 790	3 926	614 883
Mahasha MM	258 294	86 098	22 790	1 229	368 411
Makwala MM	236 463	78 821	22 790	1 477	339 551
Mangena MG	566 405	188 802	28 645	3 918	787 770
Maunatlala SM	19 610	6 537	2 300	179	28 626

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

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S Mbhalati JH	19 610	6 537	2 300	158	28 605
Mokgomole RM	19 410	6 537	2 300	179	28 426
Ncha ML	48 795	16 265	2 300	428	67 788
Nkwashu MC	227 010	76 370	22 790	1 562	327 732
Nkuma SJ	19 210	6 537	2 300	179	28 226
Ntimbane GE	416 043	138 681	22 790	2 678	580 192
Nukeri TK	48 795	16 265	2 300	428	67 788
Shingange MR	19 610	6 537	2 300	179	28 626
Mushwana TH	185 044	61 681	22 800	1 252	270 777
Baloyi MS	164 611	54 870	20 277	1 499	241 257
Banyini J	164 611	54 870	20 277	1 542	241 300
Cronje PW	164 611	54 870	20 277	1 944	241 702
Kgafane DF	164 611	54 870	20 277	1 642	241 400
Kgatla MG	164 611	54 870	20 277	1 544	241 302
Kgatla MR	164 611	54 870	20 277	1 500	241 258
Lepulana LK	164 611	54 870	20 277	1 542	241 300
Maake MJ	164 611	54 870	20 277	1 944	241 702
Mafokwane MH	164 611	54 870	20 277	1 543	241 301
Makhubele JT	164 611	54 870	20 277	1 624	241 382
Makhubele GP	164 611	54 870	20 277	1 542	241 300
Malati GM	208 734	69 578	20 282	2 380	300 974
Malati TE	164 611	54 870	20 277	1 584	241 342
Malemela D	164 611	54 870	20 277	1 945	241 703
Mapitja SM	164 611	54 870	20 277	1 549	241 307
Mathebula NP	164 611	54 870	20 277	1 607	241 365
Mathekga MM	164 611	54 870	20 277	1 499	241 257
Mathonsi TR	6 218	2 073	729	125	9 145
Maunatlala TT	389 079	129 693	20 277	4 412	543 461
Maunatlala NG	164 611	54 870	20 277	1 544	241 302
Mbhalati NJ	389 079	129 693	20 277	4 412	543 461
MC Clintock TJ	164 611	54 870	20 277	1 944	241 702
Mkhabela DG	389 079	129 693	20 277	3 567	542 616
Mochabela MF	164 611	54 870	20 277	1 944	241 702
Mohlaba FT	164 611	54 870	20 277	1 542	241 300
Mohonone SN	164 611	54 870	20 277	1 945	241 703
Morwatshehla MC	164 611	54 870	20 277	1 542	241 300
Mpenyana TR	164 611	54 870	20 277	1 549	241 307
Mukansi NG	164 611	54 870	20 277	1 944	241 702
Ngobeni JL	164 611	54 870	20 277	1 944	241 702
Ngobeni ET	164 611	54 870	20 277	1 549	241 307
Ngobeni SE	164 611	54 870	20 277	1 543	241 301
Nhemo CS	389 079	129 693	20 277	3 567	542 616
Phakula ME	164 611	54 870	20 277	1 944	241 702
Prinsloo M	216 565	72 188	20 277	2 520	311 550
Ramoshaba SB	164 611	54 870	20 277	1 499	241 257
Raolane MO	164 611	54 870	20 277	2 009	241 767
Rapatsa KI	164 611	54 870	20 277	1 543	241 301
Rapitsi RS	164 611	54 870	20 277	1 542	241 300
Ratopola JM	164 611	54 870	20 277	1 983	241 741
Sekhwela MM	216 562	72 188	20 277	2 520	311 547
Shisinga CT	164 611	54 870	20 277	1 499	241 257
Sithole O	164 611	54 870	20 277	1 944	241 702
Tiba MS	216 493	73 373	20 277	2 034	312 177
	<b>15 563 189</b>	<b>5 189 833</b>	<b>1 568 387</b>	<b>135 975</b>	<b>22 457 384</b>

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

**Notes to the Financial Statements**

Figures in Rand	2018	2017
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**29. Impairment loss**

<b>Impairments</b>		
Property, plant and equipment	2 839 900	822 923

In terms of GRAP21, "Impairment of non-cash generating assets", Municipalities are required to assess the impairment of its assets to comply with GRAP standards and asset management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2018. The assessment of impairment of assets has resulted in an impairment loss of R 2 839 900 (2017: R 822 923.43) as a result significant loss in carrying amount of electricity infrastructure due to physical damage.

**30. Finance costs**

Finance leases	796 528	443 484
Other interest paid	10 217 081	12 489 696
	<b>11 013 609</b>	<b>12 933 180</b>

**31. Repairs and maintenance**

Machinery and equipment	61 900	70 478
Lawnmowers	38 843	204 088
Distribution networks	15 207 137	11 723 092
Stormwater, drainage and bridges	126 500	1 549 367
Tarred roads	11 420 950	8 586 250
Gravel roads	11 986 290	9 571 605
Streetlights	303 012	254 971
Council-owned land	-	161 644
Council-owned buildings	1 908 975	1 269 357
Council owned vehicles	3 583 086	384 089
Other	1 620 538	1 243 987
	<b>46 257 231</b>	<b>35 018 928</b>

**32. Bulk purchases**

Electricity	325 232 299	321 519 584
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Bulk purchases are the cost of electricity not generated by the municipality. The electricity which is purchased from Eskom is sold to consumers.

Water purchases are not included in bulk purchases as the municipality acts as resource provider for Mopani District Municipality with regards to this service. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

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#### 33. Contracted services

Valuation roll	674 097	3 701 623
Traffic and security services	7 596 548	11 836 969
Refuse removal	11 993 588	10 973 043
Cleaning services	11 064 628	10 588 008
Council owned land	1 963 316	1 806 686
Information technology	933 933	915 719
Meter reading	1 348 490	1 506 020
Town planning	250 758	802 929
Security services	7 199 865	-
EPWP	2 500 000	2 500 000
Credit control	2 525 325	2 273 305
	<b>48 050 548</b>	<b>46 904 302</b>

#### 34. Grants and subsidies paid

##### Other subsidies

HPH	594 188	-
Other grants	103 698 926	129 138 654
Eskom EBSST	3 067 047	2 994 052
Mayor bursary account	520 526	375 157
SPCA	130 000	102 500
Sport Council	106 644	106 644
SETA (Training)	-	968
Mayor special account	194 962	267 929
Grants and subsidies paid	33 326	33 326
Solid waste: EPWP	4 918 000	1 949 000
	<b>113 263 619</b>	<b>134 968 230</b>

The 2017 comparative amount of R 134.968 million has been restated from R 123.608 million (see note 60).

The mayor's bursary account is in respect of providing bursaries for further tertiary education.

##### Other grants are summarized as follows

Finance Management Grant	2 191 787	1 809 999
Integrated National Electrification programme (INEP) (DBSA project)	152	16 746 967
MIG project transfer to RAL	90 780 489	90 973 278
Integrated National Electrification programme (INEP)	10 726 498	14 637 439
Other grants	-	4 970 971
	<b>103 698 926</b>	<b>129 138 654</b>

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

**Notes to the Financial Statements**

Figures in Rand	2018	2017
<b>35. General expenses</b>		
Auditor's remuneration	3 448 595	3 531 645
Computer rental	706 301	1 058 605
Consulting fees	24 782 839	30 255 734
Consumables	1 396 029	1 240 633
Gifts	-	41 786
Insurance	63 161	2 626 022
Conferences and seminars	-	4 825
Fuel and oil	9 165 920	7 396 791
Postage and courier	616 394	591 731
Printing and stationery	1 721 828	1 807 284
Protective clothing	883 416	658 708
Telephone and fax	1 460 368	1 577 617
Training	1 300 060	1 058 960
Travel - local	9 149 276	6 814 285
Insurance claims - Own expenditure	8 105 114	4 186 866
Membership fees - Salga	234 365	323 703
Telephone exchange rental	366 677	1 342 472
Public education and training	-	52 500
Public relations, tourism and marketing	8 142 084	7 808 631
Small tools and equipment	422 480	307 647
Lease rentals on operating leases	1 047 349	851 172
Forensic auditor's fees	-	82 022
Bank administration fees	1 524 975	1 351 387
Licences and permits	1 029 040	1 964 071
Cultural day	976 432	1 548 476
Other expenses	21 737 597	20 547 675
	<b>98 280 300</b>	<b>99 031 248</b>
<b>36. Cash generated from operations</b>		
Deficit	(83 268 381)	(10 110 640)
<b>Adjustments for:</b>		
Depreciation and amortisation	126 613 501	129 346 958
Loss on disposal of property, plant and equipment	25 924 361	923 404
Fair value adjustments	(10 444 300)	-
Finance costs - Finance leases	796 528	443 484
Impairment deficit	2 839 900	822 923
Debt impairment	116 939 752	58 399 127
Movements in operating lease assets and accruals	(23 541)	(52 927)
Movements in retirement benefit assets and liabilities	(401 581)	(1 540 656)
Movements in provisions	259 427	300 712
Transfer of property, plant and equipment (non-cash item)	75 728 464	54 400 869
<b>Changes in working capital:</b>		
Inventories	(4 411 218)	1 540 374
Receivables from exchange transactions	(27 910 511)	(36 337 766)
Consumer debtors	(70 615 917)	(41 343 662)
Other receivables from non-exchange transactions	(34 921 839)	(35 887 978)
Payables from exchange transactions	25 827 013	8 303 396
VAT	3 009 457	3 531 708
Unspent conditional grants and receipts	(27 598 481)	11 089 202
Consumer deposits	3 729 078	(17 519)
	<b>122 071 712</b>	<b>143 811 009</b>
<b>37. Auditors remuneration</b>		
Fees - Auditor General of South Africa	3 448 595	3 531 645

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 38. Commitments

#### Authorised expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	20 328 356	111 042 253
• Other financial assets	46 701 273	42 725 825
	<b>67 029 629</b>	<b>153 768 078</b>

##### Total capital commitments

Already contracted for but not provided for	<b>67 029 629</b>	<b>153 768 078</b>
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Capital commitments represent future, capital expenditure. The municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per the medium-term revenue and expenditure framework (MTREF).

#### The expenditure will be financed by:

Internal advances	47 366 274	54 481 752
Government grants	-	898 206
MIG grants	19 663 355	98 388 120
	<b>67 029 629</b>	<b>153 768 078</b>

### 39. Contingencies

#### Contingent liabilities

#### Contractual disputes

Various contractual claims by contractors' suppliers and staff are currently in dispute, and are subject to mediation. The potential extent of the liability cannot be determined, since it is subject to litigation. The provisional estimate based on management assessment is R 45 million. The merits must still be determined and could result in a lesser or greater amount.

##### Phadima Group Holding vs Greater Tzaneen Municipality

On or during the 2007 to 2009, the parties (the Municipality and Phadima Phadima) entered into three written agreements with regards to the development of an immovable property known as Avis Park Extension 53, Tzaneen ("The Property"). The matter is still pending in high court with leave to appeal in the Supreme Court been denied and the municipality is looking at liquidating Phadima Phadima at high court.

912 800

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##### Expectra 388 CC vs Greater Tzaneen Municipality

On the 29th of May 2015, the municipality was sued for termination of contract for the roads D3198 / D3215 from Senakwe to Morapalala.

-

17 766 852

##### Mapheto Business Enterprise vs Greater Tzaneen Municipality

The municipality is being sued for unlawful termination of contract for provision of physical security services, the matter is pending in High Court from 2016.

23 072 688

-

##### Letaba Pakkers vs Greater Tzaneen Municipality

The municipality is being sued for damage of electrical equipment which was caused by electrical surge within the jurisdiction of Greater Tzaneen operated by the municipality. The matter is pending in the Magistrate Court from 2017.

150 000

-

##### C van der Merwe vs Greater Tzaneen Municipality

Mrs C van der Merwe who was the employee of the municipality is suing the institution for an insurance claim that was not paid after a valid claim was instituted due to an accident which happened while she was employed by council.

916 511

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## Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Hlimbyi Trading Enterprise vs Greater Tzaneen Municipality</b> Hlimbyi is suing the municipality for unlawful termination of contract for provision of physical security contract. The matter is pending in the High Court from 2015.	27 307 440	-
<b>Thabo Molepo vs Greater Tzaneen Municipality</b> In 2009, Mr Thabo Molepo sued the municipality for unlawful arrest which was caused by the conduct of the municipal traffic officer, the case had been settled pending finalisation by the High Court	100 000	-
<b>Phinnet vs Greater Tzaneen Municipality</b> ITEC Finance is suing Phinnet Communication and the municipality for breach of contract for the services of managed printing in the municipality. The case has been settled with Phinnet pending finalisation of ITEC part of case.	1 200 000	-
<b>Malunga Tax Consultants vs Greater Tzaneen Municipality</b> The Municipality is involved in payment dispute with Malunga Tax Consultants for not honouring their contract to review and recover VAT, SDL, UIF and PAYE, the matter is still pending in the High Court.	7 896 584	7 896 584
<b>Siphiwe Engineering and Technologies vs Greater Tzaneen Municipality</b> The Municipality has been served with a letter of demand by Siphiwe, which claims that their contract were terminated unlawfully, the matter is still pending at the Arbitration stage.	36 629 634	36 629 634
<b>Total</b>	<b>98 185 657</b>	<b>62 293 070</b>

#### Contingent assets

#### Outstanding insurance claims

The estimated contingent asset for insurance claims amounts to R 4 987 000 (2016/2017 R 9 804 923). The estimation is based on quotations, medical reports, estimates based on previous claims of similar nature, estimates by management and letters of demand received. The merits must all still be determined and could result in a lesser or greater amount. A detailed insurance register is available at the municipality for inspection.

#### 40. Related parties

##### Relationships

Municipal Manager	BS Matlala
Chief Financial Officer	MP Makhubela
Director Community Services	HA Nkuna
Director Civil Engineering	CW Molokomme
Director Corporate Services	W Shibamba
Director Electrical Engineering	MS Lelope
Director Planning and Economic Development	B Mathebula
Councillors	Refer to note 29 for list councillors

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

##### Loans granted to related parties

In terms of the MFMA the municipality may not grant loans to its councillors, management, staff and public with effect from 1 March 2004. Loans granted prior to this date as well as stand sale arrangement are disclosed in note 4 to the annual financial statements.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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### **GTEDA**

GTEDA is a Municipal Entity Established by Greater Tzaneen Municipality and performs the function consistent with that of an entity and cannot control or influence council in making financial or operational decisions

The value of the grant paid over to GTEDA during the year under review amounts to R 6 254 650 (2017: R 5 906 832), excluding VAT.

### **Mopani District Municipality**

Greater Tzaneen Municipality acts as the service provider for Mopani District Municipality (MDM) with regards to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records. Mopani District Municipality has no control over the council of Greater Tzaneen Municipality and cannot influence council in making financial or operational decisions.

The balance owing by MDM to GTM at year end amounts R 176 890 916 ( 2017: R 145 557 383)

### **Section 57 Managers and Councillors**

Refer to note 26 for detail of remuneration paid to Section 57 Managers and to note 28 for remuneration paid to Councillors.

### **Bids awarded to family of employees in service of state.**

In terms of Section 45 of the municipal supply chain management regulations any award above R 2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

The following is a list as recorded:

<b>Name of person</b>	<b>Capacity in which the person is in service</b>	<b>Successful tenderer</b>	<b>Amount</b>
H. Maake	Manager in Human Resources	Baobab Trading	R 216 196
H. Maake	Manager in Human Resources	White Hall Tradings and Projects 64	R 286 931
XP. Sibisi	Compliance Officer	Rivisi Electrical Contractors	R 5 507 531
			<b>R 6 010 658</b>

### **41. Risk management**

#### **Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

# Greater Tzaneen Municipality

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### Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant at 30 June 2018.

At 30 June 2018	Less than 1 year	More than 1 year
Other financial liabilities	9 585 798	92 315 415
Finance lease obligation	824 306	602 667
Payables from exchange transactions, excluding payments received in advance	197 573 342	-
At 30 June 2017	Less than 1 year	More than 1 year
Other financial liabilities	17 075 913	102 661 329
Finance lease obligation	1 758 832	3 558 300
Trade and other payables from exchange transactions, excluding payments received in advance	170 471 162	-

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Potential concentrations of credit rate risk consist mainly of investments, loans, trade receivables and other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investments Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of interest charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>	<b>2018</b>	<b>2017</b>
Receivables from exchange transactions	238 412 240	220 788 581
Receivables from non-exchange transactions	43 961 105	73 382 503
Cash and cash equivalents	7 490 664	31 839 163
Consumer debtors	135 341 384	107 035 129
Other financial assets	29 335 286	27 843 365

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

### **Market risk**

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The municipality is exposed to interest rate risk on its investments and long term borrowings.

A sensitivity analysis is done by the municipality on a continuous bases to determine its potential exposure to interest rate charges. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the municipality calculates the impact that a change in interest rate will have on the surplus / deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

This risk is managed by investing in investments with different maturity dates. This enables the municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

### **Price risk**

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business, changes in the market prices will have a material impact on the trading results of the municipality.

Risk is managed on an ongoing basis.

There has been no change, since the previous financial year to the municipality exposure to market risks on the manner which it manages and measures the risk.

# Greater Tzaneen Municipality

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### 42. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 43. Unauthorised expenditure

Opening balance	61 379 545	28 979 554
Unauthorised expenditure for the year (overspending of budget)	111 740 613	32 399 991
Unauthorised expenditure condoned by council	(61 379 545)	-
<b>Unauthorised expenditure awaiting condonement</b>	<b>111 740 613</b>	<b>61 379 545</b>

Unauthorised expenditure for the year is as a result of overspending of the approved budget.

The operational budget was exceeded on vote level which is summarised as follows:

Financial Services	R 103 415 274
Corporate services	R 2 747 352
Engineering services	R 5 359 917
Planning and economic development (PED)	R 222 070
Unauthorised expenditure	<u>R 111 740 613</u>

A detailed list of unauthorised expenditure is available at the municipality for inspection.

The unauthorised expenditure has been tabled to council and will investigated by a committee of council.

### 44. Fruitless and wasteful expenditure

Opening balance	7 327 483	1 267 444
Fruitless and wasteful expenditure	2 551 489	6 060 039
Fruitless and wasteful expenditure - prior year	3 645 340	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>13 524 312</b>	<b>7 327 483</b>

The fruitless and wasteful expenditure has been tabled to council and was investigated by a committee of Council.

A detailed list of fruitless and wasteful expenditure is available at the municipality for inspection.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

Pending the results of the investigation the fruitless and wasteful expenditure might be condoned or recovered in the next financial year.

### 45. Irregular expenditure

Opening balance	92 575 025	66 550 324
Add: Irregular Expenditure - current year	5 648 668	26 024 701
<b>Irregular expenditure awaiting condonement</b>	<b>98 223 693</b>	<b>92 575 025</b>

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>Analysis of expenditure awaiting write off per age classification</b>		
Current year	5 648 668	26 024 701
Prior years	92 575 025	66 550 324
	<b>98 223 693</b>	<b>92 575 025</b>
No criminal or disciplinary steps have been taken as a consequence of the above expenditure.		
A detailed list of irregular expenditure is available at the municipality for inspection		
The irregular expenditure has been tabled to Council and was investigated by a committee of Council.		
<b>46. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to SALGA</b>		
Current year subscription / fee	3 166 801	2 935 083
Amount paid - current year	<u>(3 166 801)</u>	<u>(2 935 083)</u>
	<u>-</u>	<u>-</u>
<b>Skills Development Levy</b>		
Current year subscription / fee	2 515 609	2 608 789
Amount paid - current year	<u>(2 515 609)</u>	<u>(2 608 789)</u>
	<u>-</u>	<u>-</u>
<b>Audit fees</b>		
Current year subscription / fee	3 668 634	3 311 606
Amount paid - current year	<u>(3 668 634)</u>	<u>(3 311 606)</u>
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	59 604 866	55 316 255
Amount paid - current year	<u>(59 604 866)</u>	<u>(55 316 255)</u>
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	69 239 043	64 884 991
Amount paid - current year	<u>(69 239 043)</u>	<u>(64 884 991)</u>
	<u>-</u>	<u>-</u>
<b>Bargaining Council Levy</b>		
Current year levy	137 389	131 037
Amount paid - current year	<u>(137 389)</u>	<u>(131 037)</u>
	<u>-</u>	<u>-</u>

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

Figures in Rand	2018	2017
<b>VAT</b>		
VAT payable	36 385 491	33 376 034

VAT

VAT payable 36 385 491 33 376 034

VAT output payables and VAT input receivables are shown in note 15.

All VAT returns have been submitted by the due date throughout the year.

## Councillors

#### Arrear consumer accounts

30 June 2018

The following Councillors had arrear accounts for more than 90 days at 30 June 2018.

	Outstanding less than 90 days	Outstanding more than 90 days	Total R
	R	R	
Councillor: JT Makhubele	1 294	74 191	75 485
Councillor: C Machimana	1 868	598	2 466
Councillor: FT Mohlaba	987	675	1 662
	<b>4 149</b>	<b>75 464</b>	<b>79 613</b>

30 June 2017

The following Councillor had an arrear account for more than 90 days at 30 June 2017

	Outstanding less than 90 days	Outstanding more than 90 days	Total R
	R	R	
Councillor: JT Makubele	3 305	61 983	65 288

## **47. Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred have been approved.

#### **48. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Deviation from supply chain management regulations did occur.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>The classification of deviations:</b>		
Emergencies on service delivery	4 498 555	10 766 531
Deviations on appointment alternative service providers due current service providers having pending litigations with the municipality	13 128 194	-
Deviation on general internal municipal operations and human resources	2 676 644	-
	<b>20 303 393</b>	<b>10 766 531</b>

A detailed deviation register is available at the Municipality for inspection.

### 49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	<b>101 901 213</b>	<b>119 737 242</b>
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External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 12 for more detail regarding long-term borrowings.

### 50. Distribution losses

Units purchased (kWh)	377 371 088	371 600 668
Units lost during distribution (kWh)	83 060 406	81 444 950
Percentage lost during distribution	22.01 %	21.92 %
Rand value	108 946 468	99 452 443

The municipality has engaged in a two year investigation project to address the distribution losses. The project includes the upgrading of infrastructure.

### 51. Budget differences

#### Material differences between budget and actual amounts

##### 51.1 Explanation of variances between approved and final budget greater than 10%

The variance between the approved and final budget is due to adjustments approved on the adjustment budget and virements approved by directors. The increase in the Capital Budget is due to Capital projects rolled over from the previous financial year.

#### Statement of Financial Performance

##### Revenue

###### **Service charges (-9%)**

The lower than expected revenue on service charges is due to lower than anticipated revenue billed for electricity. Another contributing factor is the distribution loss of 22.01%

###### **Rental of facilities and equipment (30%)**

The higher than anticipated revenue on rental of facilities is due to the increment of lease agreements entered during the year.

###### **Interest received - outstanding receivables (42%)**

The increase on outstanding debtors is due to the late payment on debtors accounts.

###### **Income from agency services (-84%)**

The budgeted amount includes the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue.

###### **Licences and permits (43%)**

The variance is due to higher than expected revenue from the issuing of licences and permits especially building plans approved and clearance certificates issued.

###### **Other income (273%)**

This higher than anticipated income is due to grant administration fees and VAT on grant transferred from grants and subsidies.

# **Greater Tzaneen Municipality**

Financial Statements for the year ended 30 June 2018

## **Notes to the Financial Statements**

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### **Interest received - external investment (26%)**

The increase is as a result of the annual additional investment made during the year, annual capitalisation of interest on investment and interest earned on bank account.

### **Property rates (18%)**

The increase is due to annual increases, improvement of buildings and implementation of new valuation roll 2017-2022.

### **Property rates - penalties imposed (26%)**

The increase in penalties is due to late payments of debtors accounts and increment on debtors book.

### **Public contributions and donation (100%)**

The municipality received a donation of speed humps from TBC (Pty) Ltd on Agatha street.

### **Fines (632%)**

The disclosure of fines has been done in accordance with GRAP and resulting in total fines issues disclosed whilst the budgeted amount represents only cash received.

## **Expenditure**

### **Employee cost (-10.95%)**

The underspending is due to vacant posts especially section 56 and 57 whose contracted period expired and that were not filled immediately during the year.

### **Collection cost (342.51%)**

The overspending was due to the amount paid to debt collectors for legal fees.

### **Debt impairment (327.55%)**

The increase is due to write offs of bad debts done during the year and the impairment of traffic fines.

### **Grants and subsidies paid (189.09%)**

The high spending is due to the roads that were constructed on behalf of RAL and are transferred to RAL as grants and subsidies.

### **Repairs and maintenance (-14.13%)**

The lower than anticipated spending is due to the under expenditure on the council owned vehicle usage and repairs and maintenance on electricity distribution network.

### **Finance costs (-13.76%)**

The lower than anticipation is due to the new loan that was applied for not approved during the year that resulted in underspending.

### **Impairment of assets (100%)**

The actual amount represent transformers impaired during the year due to change in condition assessment.

### **General expenses (-17.57%)**

The underspending is due to the amount for provincial share vehicle license fee transferred to province.

### **Loss on disposal of assets (-1 278.38%)**

Loss on disposal of investment property and PPE during the year is due to assets written off after investigation, mainly transformers and minor assets.

### **Fair value adjustment (100%)**

The actual amount represents the implementation of new valuation roll with regard to the fair value of investment property.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### Statement of Financial Position

#### Assets

##### **Consumer debtors** (17.93%)

During the budget preparation the municipality was anticipating that consumer debtors book would reduce due to credit control measures.

##### **Receivables from non-exchange transactions** (1588%)

The budget amount represents only cash received whilst the actual amount represents total traffic fines issued. The actual is disclosed according to GRAP1.

##### **Operating lease assets** (90.16%)

The increase is due to the actual amount received less than straight lined amount.

##### **Cash and cash equivalents** (-16.28%)

The municipality closed with a positive bank balance due to the unspent conditional grants and other factors.

##### **Property, plant and equipment** (17.32%)

The reduction in PPE is due to the depreciation of completed projects and write offs of infrastructure assets.

##### **Intangible assets** (212.27%)

The increase is due to the capitalisation of new licence fees and software.

##### **Other financial assets** (13.45%)

The increase is as a result of the annual additional investment as acquired during the year and annual capitalisation of the interest earned on the investment.

#### Liabilities

##### **Other financial liabilities** (-59.22%)

The reduction is due to the loans that were redeemed during the year

##### **Finance lease obligation** (100%)

The decrease in finance lease is due to the termination of the photocopiers contract.

##### **Payables from exchange transactions** (35.84%)

The municipality had creditors and retention amount not paid out at year end.

##### **VAT Payable** (17.18%)

The outstanding balance represents an amount owed to SARS not paid at year end.

##### **Unspent conditional grants and receipts** (106.7%)

The unspent conditional grants is higher than anticipated due to the outstanding balance of R 2.7 million under INEP grant.

##### **Provisions** (-42.39%)

The appointment of four directors and the municipal manager was done in the last quarter of the financial year under review.

##### **Other financial liabilities** (-28.75%)

The lower than anticipation is due to loans that were redeemed during the year and a new loan that was applied for and not approved during the year.

##### **Finance lease obligation** (100%)

The decrease in finance lease is due to the termination of photocopiers contract.

##### **Employee benefit obligations** (-13.02%)

The decrease is as per the actuarial report.

### Statement of Cash Flows

##### **Interest income** (-61.67%)

The decrease is due to the inclusion of interest on outstanding debtors amount received under sale of goods and services.

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### Suppliers (20.74%)

The huge increase is due to the roads constructed on behalf of RAL and transferred from capital to operating as grants and subsidies.

### Finance costs (-20%)

The lower than anticipation is due to the new loan that was applied for but not approved during the year.

### Transfer of property, plant and equipment (100%)

The actual amount represent capitalisation of completed projects transferred from WIP to infrastructure assets.

### Additions to property, plant and equipment (-26.29%)

The underspending is due to budget amounts which includes capital projects that have been transferred to RAL as grants and subsidies during the financial year under review.

### Proceeds on disposal/ write off of property, plant and equipment (22.33%)

The municipality yielded better gain after the disposal of assets.

### Sale of investment property (100%)

Investment property Nkowankowa C sold during the year.

### Additions to intangible assets (100%)

The difference is due to the acquisition of new licence fees and software.

### Long term liabilities (-100%)

The budget amount represent the loan amount that was supposed to be received during the financial year.

### Repayment of financial liabilities (-22.7%)

The budget amount includes the loan amount that was supposed to be received during the financial year, which lead to a reduction in the repayment amount.

### Accumulated surplus (-13%)

The reduction in accumulated surplus is due to the higher than unexpected provision of impairment and roads transferred to RAL.

## 52. Fair value adjustments

Investment property (Fair value model)	10 444 300	-
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The Greater Tzaneen Municipality fair valued its investment properties using the valuation roll that came into effect on the 01 July 2017 which is reviewed every four years.

The effect of the fair value adjustment on investment properties amounted to R 10 444 300.

## 53. Investment revenue

Interest revenue		
Interest received - investment	4 427 275	8 253 077
Interest received - trading	18 395 501	15 321 021
	<b>22 822 776</b>	<b>23 574 098</b>

An amount of R 2 750 228 (2017: R 3 541 298) included in Investment revenue arises from fixed deposit transactions amounting to R 243 500 000 (2017: R 21 795 339), while the balance of R 1 677 047 (2017: R 4 711 779) arises from interest received on the municipalities current bank account.

## 54. Fines revenue

Revenue for traffic fines issued	39 771 327	40 684 479
Other fines	535 146	470 341
	<b>40 306 473</b>	<b>41 154 820</b>

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

**Notes to the Financial Statements**

	2018	2017 Restated*
<b>55. Loss / (gain) on disposal/ write off of assets</b>		
Property, plant and equipment	(25 924 361)	(923 404)
Stands held for sale (inventories)	(25 924 361)	(923 404)
	<u>-</u>	542 895
	<b>(25 924 361)</b>	<b>(380 509)</b>
<b>56. Depreciation and amortisation</b>		
Property, plant and equipment	125 931 130	128 921 131
Intangible assets	682 371	425 827
	<b>126 613 501</b>	<b>129 346 958</b>
<b>57. Debt impairment movements</b>		
Receivables from exchange transactions	10 286 853	(1 198 772)
Receivables from non-exchange transactions	42 309 662	51 400 741
Fines	64 343 237	8 197 158
	<b>116 939 752</b>	<b>58 399 127</b>
<b>58. Change in estimate</b>		
<b>Property, plant and equipment</b>		
The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets remaining useful lives to change; infrastructure assets useful life changed from ten (10) to eleven (11) years on average. Other assets changed from one (1) to two (2) years on average. Intangible assets changed from one (1) to three (3) years on average. The effect of the change in accounting estimates has resulted in a decrease of depreciation amounting to R 6 243 078 for the current period. The effect on future periods could not reasonably be determined.		
The change in estimates affected the following classes of assets:		
<ul style="list-style-type: none"> <li>• Infrastructure assets</li> <li>• Community assets</li> <li>• Other assets</li> <li>• Leased assets</li> <li>• Intangible assets</li> </ul>		
<b>59. Prior period errors</b>		
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by the prior-period adjustments and reclassification.		

\* See Note 59

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### Statement of Financial Position 2016

#### R 52 908 687      PPE

2016/06/30	Land previously classified as Investment property R 911 000
2016/06/30	Land capitalisation previously not recorded R 19 430 640
2016/06/30	Reduction in land due to private land recorded in register - R 3 813 004
2016/06/30	Reduction in accumulated depreciation for electricity infrastructure due to auto reclosers incorrectly capitalised R 16 469
2016/06/30	Accumulated depreciation for leased assets due to change in useful life previously not reviewed R 987 371
2016/06/30	Reduction in infrastructure due to electricity assets incorrectly capitalised -R570 700
2016/06/30	Accumulated depreciation for electricity assets incorrectly capitalised R338 875
2016/06/30	Change in accumulated depreciation for electricity infrastructure due to impairment loss reversed R2 506 602
2016/06/30	Increase in infrastructure assets due to Dan road previously not capitalised R23 073 784
2016/06/30	Accumulated depreciation for infrastructure road previously not capitalised -R3 085 355
2016/06/30	Increase in community assets due to Lenyenye stadium previously not capitalised R12 632 000
2016/06/30	Accumulated depreciation for community assets previously not capitalised -R4 161 403
2016/06/30	Increase in community assets due to Lenyenye community hall previously not capitalised R6 673 500
2016/06/30	Accumulated depreciation for community assets previously not capitalised -R2 031 092

#### R 348 376      Intangible assets

2016/06/30	Accumulated amortisation to intangible assets due to change in life span R 348 376
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#### R 24 101 000      Investment property

2016/06/30	Reduction of investment property due to duplicated properties in the register -R 351 000
2016/06/30	Reduction of investment property due to land incorrectly classified previously as investment property - R 911 000
2016/06/30	Investment properties previously not recorded in the register R 25 363 000

#### -R 77 358 063      Accumulated Surplus

2016/06/30	Land previously classified incorrectly as Investment property -R911 000
2016/06/30	Accumulated amortisation due to intangible assets due to change in lifespan - R 348 376
2016/06/30	Reduction of investment property due to duplicated properties in the register R 351 000
2016/06/30	Investment properties previously not recorded - R 25 363 000
2016/06/30	Land capitalisation not recorded - R 19 430 640
2016/06/30	Reduction in land due to private land recorded in the register R 3 813 004
2016/06/30	Reduction in accumulated depreciation for electricity infrastructure due to auto reclosers incorrectly capitalised - R 16 469
2016/06/30	Accumulated depreciation for lease assets due to change in useful life previously not reviewed - R 987 371
2016/06/30	Reduction of Investment property due to land incorrectly classified previously as Investment property R 911 000
2016/06/30	Reduction in infrastructure due to electricity assets incorrectly capitalised R570 700
2016/06/30	Accumulated depreciation for electricity assets incorrectly capitalised -R338 875
2016/06/30	Change in Accumulated Depreciation for Electricity Infrastructure due to impairment loss reversed - R2 506 603
2016/06/30	Increase in infrastructure assets due to Dan road previously not capitalised -R23 073 785
2016/06/30	Accumulated depreciation for infrastructure road previously not capitalised R3 085 355
2016/06/30	Increase in community assets due to lenyenye stadium previously not capitalised -R12 632 000
2016/06/30	Accumulated depreciation for community assets previously not capitalised R4 161 403
2016/06/30	Increase in community assets due to Lenyenye community hall previously not capitalised -R6 673 500
2016/06/30	Accumulated depreciation for community assets previously not capitalised R2 031 092

\* See Note 59

# Greater Tzaneen Municipality

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## Notes to the Financial Statements

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### Statement of Financial Position 2017

#### R 49 830 753      PPE

2017/06/30	Land previously classified incorrectly as investment property R 911 000
2017/06/30	Land capitalisation previously not recorded R 19 430 640
2017/06/30	Reduction in land due to private land recorded in the register -R 3 813 004
2017/06/30	Reduction in accumulated depreciation for electricity infrastructure due to auto reclosers incorrectly capitalised R 16 469
2017/06/30	Reduction in accumulated depreciation for electricity infrastructure due to auto reclosers incorrectly capitalised R 38 588
2017/06/30	Accumulated depreciation for Leased assets due to change in useful life previously not reviewed R 987 371
2017/06/30	Accumulated depreciation for Leased assets due to change in useful life previously not reviewed -R 824 655
2017/06/30	Reduction in infrastructure due to electricity assets incorrectly capitalised -R570 700
2017/06/30	Accumulated depreciation for electricity assets incorrectly capitalised R377 517
2017/06/30	Change in accumulated depreciation for electricity infrastructure due to impairment loss reversed R2 506 603
2017/06/30	Increase in infrastructure assets due to Dan road previously not capitalised R23 073 785
2017/06/30	Accumulated depreciation for infrastructure road previously not capitalised - R4 628 033
2017/06/30	Increase in community assets due to lenyenye stadium previously not capitalised R12 632 000
2017/06/30	Accumulated depreciation for community assets previously not capitalised - R4 617 180
2017/06/30	Increase in community assets due to lenyenye community hall previously not capitalised R6 673 500
2017/06/30	Accumulated depreciation for community assets previously not capitalised - R2 253 542
2017/06/30	Accumulated depreciation for infrastructure assets due to impairment loss reversed - R 109 618

#### R 218 204      Intangible assets

2017/06/30	Accumulated amortisation due to change in life span not previously reviewed R 348 376
2017/06/30	Accumulated amortisation due to change in life span not previously reviewed - R 130 172

#### R 24 101 000      Investment property

2017/06/30	Reduction in investment property due to duplicated properties in the register - R 351 000
2017/06/30	Reduction in investment property due to land incorrectly classified previously as investment property - R 911 000
2017/06/30	Investment properties previously not recorded in the register R 25 363 000

#### - R 239 400      Accounts receivable

2017/06/30	Reduction in debtors due to cancelled deed sale -R 239 400
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#### - R 2 759 350      Receivables from non-exchange transactions)

2017/06/30	Receivables overstated relating to traffic fines -R 2 759 350
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#### - R 220 041      Payables from exchange transactions

2017/06/30	Audit fees not previously accounted for - R 220 041
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#### - R 11 359 523      Unspent conditional grants

2017/06/30	INEP grant not rolled forward - R 11 359 523
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#### - R 243 858      Other financial liabilities

2017/06/30	Overstatement of othr financial liabilities: DBSA loan - R 243 858
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\* See Note 59

**Greater Tzaneen Municipality**  
 Financial Statements for the year ended 30 June 2018

**Notes to the Financial Statements**

Figures in Rand

Statement of Financial Position	2016 previously reported	Correction of errors	2016 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	16 293 576	-	16 293 576
Other financial assets	2 145 732	-	2 145 732
Operating lease asset	96 889	-	96 889
Receivables from exchange transaction	183 252 043	-	183 252 043
Receivables from non-exchange transactions	45 691 683	-	45 691 683
Consumer debtors	117 092 212	-	117 092 212
Cash and cash equivalents	54 369 420	-	54 369 420
<b>Non - Current Assets</b>			
Investment properties	141 940 000	24 101 000	166 041 000
Property, plant and equipment	1 620 118 989	52 908 687	1 673 027 676
Intangible assets	581 125	348 376	929 501
Other Financial assets	20 939 720	-	20 939 720
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	(27 864 801)	-	(27 864 801)
Finance lease obligation	(253 825)	-	(253 825)
Payables from exchange transactions	(170 058 068)	-	(170 058 068)
VAT Payable	(29 844 327)	-	(29 844 327)
Consumer debtors	(23 146 904)	-	(23 146 904)
Unspent conditional grants and receipts	(19 434 127)	-	(19 434 127)
Provisions	(688 535)	-	(688 535)
<b>Non-Current Liabilities</b>			
Other financial liabilities	(127 626 647)	-	(127 626 647)
Employee benefit obligation	(85 763 760)	-	(85 763 760)
Provisions	(3 823 570)	-	(3 823 570)
<b>Accumulated surplus</b>	<b>1 714 016 825</b>	<b>77 358 063</b>	<b>1 791 374 888</b>

\* See Note 59

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

Statement of Financial Position	2017 previously reported	Correction of errors	2017 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	14 753 202	-	14 753 202
Other financial assets	2 908 489	(239 400)	2 669 089
Operating lease asset	149 816	-	149 816
Receivables from exchange transactions	220 788 581	-	220 788 581
Receivables from non-exchange transactions	76 141 854	(2 759 351)	73 382 503
Consumer debtors	107 035 129	-	107 035 129
Cash and cash equivalents	31 839 163	-	31 839 163
<b>Non-Current Assets</b>			
Investment property	149 081 753	24 101 000	173 182 753
Property, plant and equipment	1 560 691 424	49 830 753	1 610 522 177
Intangible assets	916 838	218 204	1 135 042
Other financial assets	25 174 276	-	25 174 276
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	(17 075 913)	-	(17 075 913)
Finance lease obligation	(1 758 832)	-	(1 758 832)
Payables from exchange transactions	(178 141 419)	(220 041)	(178 361 460)
VAT Payable	(33 376 034)	-	(33 376 034)
Consumer deposits	(23 129 385)	-	(23 129 385)
Unspent conditional grants and receipts	(19 163 806)	(11 359 523)	(30 523 329)
Provisions	(606 890)	-	(606 890)
<b>Non-Current Liabilities</b>			
Other financial liabilities	(102 417 471)	(243 858)	(102 661 329)
Finance lease obligation	(3 558 300)	-	(3 558 300)
Employee benefit obligation	(84 223 104)	-	(84 223 104)
Provisions	(4 205 927)	-	(4 205 927)
<b>Accumulated surplus</b>	<b>1 721 823 444</b>	<b>59 327 784</b>	<b>1 781 151 228</b>

### Statement of Financial Performance 2017

<b>R 3 208 110</b>	<b>Depreciation</b>
2017/06/30	Change in amortisation due to life span not previously reviewed of intangible asset R 130 172.50.
2017/06/30	Depreciation due to electricity infrastructure incorrectly capitalised -R 38 587.76
2017/06/30	Change in depreciation due to leased assets useful life previously not reviewed R 824 654.98
2017/06/30	Decrease in depreciation due to electricity infrastructure incorrectly capitalised -R38 641.88
2017/06/30	Change in depreciation for electricity Infrastructure due to impairment loss reversed R109 617.84
2017/06/30	Change in depreciation due to roads Infrastructure previously not capitalised R1 542 677.52
2017/06/30	Depreciation for community assets due to Lenyenye stadium previously not capitalised R455 766.76
2017/06/30	Depreciation for Community assets due to lenyenye community hall previously not capitalised R222 450
<b>R 239 000</b>	<b>Stand sales</b>
2017/06/30	Reduction of stand sales due to cancelled deed sale R 239 000.
<b>- R 2 759 350</b>	<b>Fines</b>
2017/06/30	Fines previously overstated - R 2 759 350
<b>- R 130 837</b>	<b>Finance cost</b>
2017/06/30	Understatement of finance cost: DBSA loan - R 130 837
<b>- R 11 359 523</b>	<b>Grants and subsidies paid</b>
2017/06/30	Understatement of grants: INEP Grant not rolled forward - R 11 359 523

\* See Note 59

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

**- R 220 039      General expenses**

2017/06/30      General expenses understated: Audit fees not allocate R 220 039

### Statement of Financial Performance

	2017 previously restated	Adjustment of errors	2017 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	447 720 635	(239 400)	447 481 235
Rental of facilities and equipment	1 644 365	-	1 644 365
Interest received (trading)	15 321 021	-	15 321 021
Agency services	6 304 686	-	6 304 686
Licenses and permits	824 244	-	824 244
Other income	44 716 716	-	44 716 716
Interest received - investment	8 253 077	-	8 253 077
<b>Taxation revenue</b>			
Property rates	80 787 849	-	80 787 849
Property rates - penalties imposed	8 157 882	-	8 157 882
<b>Transfer revenue</b>			
Government grants & subsidies	464 786 239	-	464 786 239
Fines	43 914 170	(2 759 350)	41 154 820
<b>Expenditure</b>			
Employee related cost	(267 338 994)	-	(267 338 994)
Remuneration of councillors	(22 457 384)	-	(22 457 384)
Depreciation and amortisation	(126 138 849)	(3 208 110)	(129 346 959)
Impairment of assets	(822 923)	-	(822 923)
Finance costs	(12 802 343)	(130 837)	(12 933 180)
Debt impairment	(58 399 127)	-	(58 399 127)
Collection costs	(421 406)	-	(421 406)
Repairs and maintenance	(35 018 928)	-	(35 018 928)
Bulk purchases	(321 519 584)	-	(321 519 584)
Contracted services	(46 904 302)	-	(46 904 302)
Grants and subsidies paid	(123 608 707)	(11 359 523)	(134 968 230)
General expenses	(98 811 209)	(220 039)	(99 031 248)
Loss on disposal of assets and liabilities	(923 404)	-	(923 404)
Gain (loss) on disposal of stands held for sale	542 895	-	542 895
<b>Surplus/(loss) for the year</b>	<b>7 806 619</b>	<b>(17 917 259)</b>	<b>(10 110 640)</b>

\* See Note 59

# Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

Cash Flow Statement	2017 previously stated	Adjustment of errors	2017 restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation revenue	69 332 445	-	69 332 445
Grants	477 979 917	11 359 524	489 339 441
Interest income	8 253 077	-	8 253 077
Sale of goods and services	508 665 495	(239 396)	508 426 099
<b>Payments</b>			
Employee costs	(291 337 034)	-	(291 337 034)
Suppliers	(670 754 666)	(11 359 525)	(682 114 191)
Finance cost	(12 358 859)	(130 837)	(12 489 696)
Transfer of property, plant and equipment	54 400 869	(1)	54 400 868
<b>Cash flows from investing activities</b>			
Purchase to property, plant and equipment	(122 747 823)	(4)	(122 747 827)
Proceeds from sale of property, plant and equipment	184 998	2	185 000
Purchase of other intangible assets	(631 368)	-	(631 368)
Additions to investment property	(7 141 753)	-	(7 141 753)
Proceeds from of financial assets	(4 997 314)	239 400	(4 757 914)
<b>Cash flow from financing activities</b>			
Repayment of other financial liabilities	(35 998 064)	130 837	(35 867 227)
Finance lease payments	4 619 823	-	4 619 823
	<b>(22 530 257)</b>	<b>-</b>	<b>(22 530 257)</b>

\* See Note 59

## Appendix A

### Schedule of external loans as at 30 June 2018

	Balance at 30 June 2017	Prior period error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018
	Rand	Rand	Rand	Rand	Rand
<b>Annuity loans</b>					
DBSA	7 738 405	-	-	7 738 405	-
DBSA	33 655 026	243 859	-	1 857 017	32 041 868
INCA	5 523 180	-	-	3 569 763	1 953 417
ABSA	19 673 107	-	-	1 332 351	18 340 756
STANDARD BANK	8 147 524	-	-	3 582 352	4 565 172
	<b>74 737 242</b>	<b>243 859</b>	<b>-</b>	<b>18 079 888</b>	<b>56 901 213</b>
<b>Loan stock</b>					
STANDARD BANK	30 000 000	-	-	-	30 000 000
DEVELOPMENT BANK OF SA	15 000 000	-	-	-	15 000 000
	<b>45 000 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 000 000</b>
<b>Total external loans</b>					
Annuity loans	74 737 242	243 859	-	18 079 888	56 901 213
Loan stock	45 000 000	-	-	-	45 000 000
	<b>119 737 242</b>	<b>243 859</b>	<b>-</b>	<b>18 079 888</b>	<b>101 901 213</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2018

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand	
<b>Land and buildings</b>															
Land	125 358 946	49 500	(1 010 000)				124 398 446							124 398 446	
	<b>125 358 946</b>	<b>49 500</b>	<b>(1 010 000)</b>				<b>124 398 446</b>							<b>-</b>	
<b>Infrastructure</b>															
Roads	1 243 336 597	219 486	-	-	-	-	1 243 556 083	(565 541 292)	-	-	(70 961 715)	-	(636 503 007)	607 063 076	
Storm water	45 230 114	15 127 987	-	-	-	-	60 328 111	(28 629 602)	-	-	(2 380 992)	-	(31 010 594)	29 317 517	
Solid Waste	1 577 142	-	-	-	-	-	1 577 142	(388 207)	-	-	(447 560)	-	(1 129 582)	1 129 582	
Buildings	905 583	906 457	-	-	-	-	1 812 040	(184 929)	(548 902)	-	(1 078 209)	(733 831)	(5 844 088)	1 078 209	
Reticulation	25 875 819	157 586	-	-	-	-	26 033 415	(4 453 846)	(1 013 913)	(396 327)	(1 591 035)	(12 383 251)	(19 182 344)	(1 591 035)	
Refuse sites	44 565 595	157 586	-	-	-	-	44 565 595	(10 792 216)	191 751	-	(19 175)	(76 753)	(95 928)	95 928	
Airports	191 751	-	-	-	-	-	203 695	(138 897)	-	-	(11 273)	-	(150 177)	53 525	
Plants and Machinery	203 695	-	-	-	-	-	347 170	(231 277)	-	-	(23 118)	-	(254 285)	62 775	
Traffic	347 170	-	-	-	-	-	198 000	(79 254)	-	-	(19 800)	-	(99 054)	471 572 889	
Water	934 581 096	11 390 716	(91 000 660)	-	-	-	854 971 152	(411 133 934)	67 358 468	-	(37 179 220)	(2 443 573)	(383 938 259)	98 946	
Electricity	20 962 094	-	-	-	-	-	20 962 094	(8 786 053)	-	-	(255 465)	-	(9 051 595)	11 910 595	
<b>Land and Buildings</b>	<b>2 317 844 666</b>	<b>27 802 252</b>	<b>(91 000 660)</b>				<b>2 254 746 348</b>	<b>[1 030 424 263]</b>	<b>67 358 468</b>		<b>(114 085 952)</b>		<b>(2 839 000)</b>	<b>1 174 774 601</b>	
<b>Community Assets</b>															
Parks & gardens	28 401 036	2 601 850	-	-	-	-	28 401 036	(2 024 525)	-	-	(48 531)	-	(2 073 056)	26 327 990	
Fencing	528 369	6 073 535	-	-	-	-	3 130 219	(70 181)	-	-	(40 294)	-	(3 019 744)	(3 019 744)	
Roads	11 579 900	6 073 535	-	-	-	-	16 312 802	(8 565 954)	-	-	(349 657)	(70 347)	(3 886 045)	13 767 390	
Municipal offices	16 312 802	-	-	-	-	-	7 542 888	(957 548)	-	-	(47 107)	-	(1 004 655)	(1 004 655)	
Libraries	7 542 888	-	-	-	-	-	862 000	(65 376)	-	-	(65 376)	-	(65 376)	6 558 233	
Traffic centre	852 000	-	-	-	-	-	1 307 643	(270 500)	-	-	(7 435)	-	(277 935)	1 029 708	
Museums	1 307 643	-	-	-	-	-	128 586	(128 586)	-	-	(1 579 932)	-	(1 28 586)	(1 28 586)	
Airports	128 586	-	-	-	-	-	71 045 884	(12 418 906)	365 595	-	(13 988 836)	-	(13 988 836)	57 047 046	
Recreational facilities	34 179 245	36 866 639	-	-	-	-	3 777 737	(365 995)	-	-	-	-	3 777 737	3 777 737	
Cemeteries	3 777 737	-	-	-	-	-	10 419 805	(534 64)	-	-	(1 468 417)	-	(8 890 388)	(8 890 388)	
Road and Subgrade	10 419 805	2 959 446	(453 735)	-	-	-	30 044 896	(3 341 702)	-	-	(1 010 445)	-	(4 352 147)	25 632 749	
Buildings	27 559 185	-	-	-	-	-	1 296 000	-	-	-	-	-	1 296 000	1 296 000	
<b>Land and buildings</b>	<b>143 875 156</b>	<b>48 501 470</b>	<b>(453 735)</b>				<b>-</b>	<b>191 922 331</b>	<b>(32 548 735)</b>	<b>365 595</b>		<b>(4 110 327)</b>		<b>(36 233 467)</b>	<b>155 629 464</b>

Appendix B

## Cost/Revaluation Analysis of property, plant and equipment as at 30 June 2018

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
58 988 033	47 725 910	-	(75 728 464)	-	-	-	30 985 479	-	-	-	-	-	30 985 479
<b>58 988 033</b>	<b>47 725 910</b>	<b>-</b>	<b>(75 728 464)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 985 479</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 985 479</b>
14 349 107	-	(3 428 886)	-	-	-	-	10 920 221	(6 878 977)	838 170	-	(1 969 810)	-	(8 010 617)
<b>14 349 107</b>	<b>-</b>	<b>(3 428 886)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 920 221</b>	<b>(6 878 977)</b>	<b>838 170</b>	<b>-</b>	<b>(1 969 810)</b>	<b>-</b>	<b>(8 010 617)</b>
8 386 630	71 238	(298 811)	-	-	8 169 057	(5 657 300)	285 191	-	-	(699 230)	-	-	(6 071 339)
2 275 297	25 736	(44 299)	-	-	2 256 824	(1 556 536)	41 300	-	-	(149 275)	-	-	(1 664 511)
2 349 331	30 668	(112 732)	-	-	2 287 207	(2 040 706)	11 376	-	-	(128 140)	-	-	(2 055 470)
56 298	-	(56 300)	-	-	-	(1)	(47 280)	-	51 971	(4 683)	-	(2)	(5 314 068)
11 387 453	285 821	(4 022 903)	-	-	7 650 371	(7 376 810)	3 091 192	-	-	(1 028 450)	-	-	(230 595)
244 936	-	(11 646)	-	-	233 290	(238 531)	11 646	-	-	(3 410)	-	-	(2 895)
30 718	-	-	-	-	30 718	(15 475)	-	-	-	(1 536)	-	-	(17 011)
5 416 005	-	(27 469)	-	-	5 388 556	(2 717 161)	22 443	-	-	(232 507)	-	-	(2 927 225)
632 195	-	(549 664)	-	-	-	82 531	(252 085)	228 478	-	(28 978)	-	-	(52 385)
37 859 872	-	-	-	-	105 048	(85 110)	-	-	-	(6 027)	-	-	(91 137)
4 788	-	(4 788)	-	-	37 859 872	(28 916 246)	-	-	-	(3 481 251)	-	-	(32 397 497)
1 223 792	23 532	-	-	-	1 247 344	(1 220 508)	-	-	-	(23 544)	-	-	(1 244 052)
<b>69 932 364</b>	<b>437 016</b>	<b>(5 128 682)</b>	<b>-</b>	<b>-</b>	<b>65 280 797</b>	<b>(50 124 148)</b>	<b>3 843 897</b>	<b>-</b>	<b>-</b>	<b>(5 785 041)</b>	<b>-</b>	<b>-</b>	<b>(52 065 292)</b>
													<b>13 225 505</b>

Appendix B

## Cost/Revaluation

### Analysis of property, plant and equipment as at 30 June 2018

### Accumulated depreciation

## Appendix B

June 2018

### Analysis of property, plant and equipment as at 30 June 2017

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	125 358 946							125 358 946						125 358 946
Infrastructure														
Roads	1 242 427 958	908 640						1 243 336 598	(491 305 243)					(74 236 047)
Storm water	41 133 409	3 667 705						45 200 114	(25 707 948)					(2 921 654)
Solid Waste	1 577 142							1 577 142						(336 207)
Buildings	772 937	132 646						906 583	(146 981)					(184 929)
Reticulation	25 584 089							25 875 818	(3 455 811)					(37 948)
Refuse sites	44 413 281	162 334						44 563 595	(9 203 485)					(979 914)
Airports	191 751							191 751						(10 752 216)
Plant and Machinery	203 595							203 695	(57 575)					(19 175)
Traffic	347 170							347 170	(238 155)					(23 575)
Water	198 000							198 000	(59 454)					(23 118)
Electricity	907 388 513	27 308 290						934 581 095	(373 884 329)					(19 800)
Land and Buildings	20 962 094							20 962 094	(7 860 939)					(8 738 052)
	<b>2 286 209 029</b>	<b>32 169 915</b>						<b>2 317 944 656</b>	<b>(912 360 099)</b>					<b>(822 923)</b>
														<b>(1 030 424 263)</b>
														<b>1 287 520 383</b>
Community Assets														
Parks & gardens	28 401 036							28 401 036	(1 902 375)					(122 150)
Fencing	528 369							528 369	(49 654)					(20 527)
Roads	11 579 900							11 579 900	(3 422 377)					(333 321)
Municipal offices	16 312 802							16 312 802	(7 680 733)					(875 221)
Libraries	7 542 888							7 542 888	(839 636)					(117 912)
Traffic centre	862 000							862 000	(52 057)					(3 319)
Museums	1 307 643							1 307 643	(251 890)					(18 610)
Airports	128 586							128 586	(128 586)					(12 488 906)
Recreational facilities	34 179 245							34 179 245	(10 955 274)					(1 455 632)
Cemeteries	3 777 737							3 777 737	(321 436)					(365 597)
Road and Subgrade	1 409 639	9 010 166						10 419 055	(389 009)					(44 161)
Buildings	15 543 026	11 896 159						27 539 185	(2 732 602)					(3 411 690)
Land and Buildings	1 296 000							1 296 000						(1 296 000)
	<b>122 388 871</b>	<b>20 906 325</b>						<b>143 875 196</b>	<b>(28 753 629)</b>					<b>(3 735 106)</b>
														<b>(32 548 735)</b>
														<b>111 336 461</b>

Appendix B

## **Cost/Revaluation**

### **Analysis of property, plant and equipment as at 30 June 2011**

### **Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
52 887 257	60 501 644	-	(54 400 868)	-	-	58 986 033	-	-	-	-	-	58 988 033	-
52 887 257	60 501 644	-	(54 400 868)	-	-	58 986 033	-	-	-	-	-	58 988 033	-
12 373 187	5 718 519	(3 742 599)	-	-	-	14 349 107	(8 046 906)	3 000 776	-	(1 832 849)	-	(6 878 979)	7 470 128
12 373 187	5 718 519	(3 742 599)	-	-	-	14 349 107	(8 046 906)	3 000 776	-	(1 832 849)	-	(6 878 979)	7 470 128
7 602 535	980 661	(186 564)	-	-	-	8 396 632	(5 127 566)	82 937	-	(612 674)	-	(5 657 303)	2 739 329
2 005 406	268 891	(208 722)	-	-	-	2 275 297	(1 424 676)	159 314	-	(122 160)	-	(1 555 836)	718 461
2 514 511	45 543	-	-	-	-	2 346 047	(2 045 706)	-	-	(44 793)	-	(2 045 706)	-
56 298	-	-	-	-	-	66 299	(42 587)	-	-	(4 693)	-	(47 280)	9 019
10 422 910	954 543	-	-	-	-	11 387 453	(6 549 588)	-	-	(807 222)	-	(7 375 810)	4 010 643
244 936	-	-	-	-	-	244 936	(286 631)	-	-	(3 411)	-	(286 631)	6 305
30 718	-	-	-	-	-	5 416 718	(13 939)	-	-	(1 536)	-	(15 475)	15 243
5 416 005	-	-	-	-	-	5 416 005	(2 433 593)	-	-	(233 568)	-	(233 568)	2 688 844
632 195	-	-	-	-	-	632 195	(223 107)	-	-	(28 976)	-	(28 976)	380 110
105 046	-	-	-	-	-	108 048	(79 083)	-	-	(8 027)	-	(85 110)	19 938
36 678 972	1 180 900	-	-	-	-	37 859 872	(25 082 330)	-	-	(3 833 916)	-	(28 916 246)	8 943 628
4 788	-	-	-	-	-	4 788	-	-	-	-	-	-	4 788
1 276 400	11 886	(64 494)	-	-	-	1 223 792	(1 272 966)	64 327	-	(11 866)	-	(1 220 506)	3 284
66 990 723	3 451 424	(459 780)	-	-	-	69 932 367	(44 599 702)	306 578	-	(5 831 027)	-	(50 124 151)	19 388 216

## Appendix B

## **Cost/Revaluation Analysis of property, plant and equipment as at 30 June 2017**

### **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Operating Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	125 355 946	32 169 915	-	-	-	-	125 358 946	(912 350 099)	220 908	-	(117 462 149)	(822 923) [1 030 424 263]	125 358 946	
Infrastructure	2 286 209 029	(434 286)	-	-	-	-	2 317 944 656	(28 753 629)	-	-	(3 795 06)	-	(32 548 735)	1 287 520 393
Community Assets	122 968 871	20 906 325	-	-	-	-	143 875 196	-	-	-	-	-	111 326 461	58 988 033
Work in Progress	52 887 257	60 501 644	-	-	-	-	58 988 033	-	-	-	-	-	(6 878 979)	7 470 126
Leased Assets	12 373 187	5 718 519	(3 742 699)	-	-	-	14 349 107	(8 046 906)	3 000 776	-	(1 832 849)	-	(50 124 151)	19 858 126
Other assets	66 906 723	3 451 424	(459 780)	-	-	-	69 982 357	(44 599 702)	3 065 578	-	(5 831 027)	-	(50 124 151)	19 858 126
<b>Total</b>	<b>2 656 788 013</b>	<b>122 747 827</b>	<b>(4 636 687)</b>	<b>(54 400 668)</b>	<b>-</b>	<b>-</b>	<b>2 730 498 305</b>	<b>(932 760 336)</b>	<b>3 528 262</b>	<b>-</b>	<b>(117 462 149)</b>	<b>(822 923) [1 119 975 128]</b>	<b>1 610 522 177</b>	
<b>Intangible assets</b>														
Computer - Software	1 822 937	631 368	-	-	-	-	2 454 305	(893 435)	-	-	(425 827)	-	(1 319 262)	1 135 043
<b>Total</b>	<b>1 822 937</b>	<b>631 368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 454 305</b>	<b>(893 435)</b>	<b>-</b>	<b>-</b>	<b>(425 827)</b>	<b>-</b>	<b>(1 319 262)</b>	<b>1 135 043</b>
<b>Investment properties</b>														
Investment property	166 041 000	7 141 753	-	-	-	-	173 182 753	-	-	-	-	-	-	173 182 753
<b>Total</b>	<b>166 041 000</b>	<b>7 141 753</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173 182 753</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173 182 753</b>
<b>Total</b>														
Land and buildings	125 356 946	32 169 915	(434 286)	-	-	-	125 358 946	(912 360 099)	220 908	-	(117 462 149)	(822 923) [1 030 424 263]	125 356 946	
Infrastructure	2 286 209 029	(434 286)	-	-	-	-	2 317 944 656	(28 753 629)	-	-	(3 795 06)	-	(32 548 735)	1 287 520 393
Community Assets	122 968 871	20 906 325	-	-	-	-	143 875 196	-	-	-	-	-	111 326 461	58 988 033
Work in Progress	52 887 257	60 501 644	-	-	-	-	58 988 033	-	-	-	-	-	(6 878 979)	7 470 126
Leased Assets	12 373 187	5 718 519	(3 742 699)	-	-	-	14 349 107	(8 046 906)	3 000 776	-	(1 832 849)	-	(50 124 151)	19 858 126
Other assets	66 906 723	3 451 424	(459 780)	-	-	-	69 982 357	(44 599 702)	3 065 578	-	(5 831 027)	(425 827)	(1 319 262)	1 135 043
<b>Total</b>	<b>2 834 651 950</b>	<b>130 620 948</b>	<b>(4 636 687)</b>	<b>(54 400 668)</b>	<b>-</b>	<b>-</b>	<b>2 906 135 363</b>	<b>(994 563 771)</b>	<b>3 528 262</b>	<b>-</b>	<b>(129 346 858)</b>	<b>(822 923) [1 121 295 390]</b>	<b>1 784 839 973</b>	

## Appendix C

### Segmental analysis of property, plant and equipment as at 30 June 2018 Cost/Revaluation Accumulated Depreciation

Municipality	Opening Balance		Additions		Disposals		Transfers		Write offs		Revaluation		Closing Balance		Opening Balance		Write offs		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Mayor's Office	1 668 497	9 260	(5 530)	-	-	-	-	-	-	-	1 672 227	(516 345)	5 512	(286 112)	-	-	(786 945)	-	875 282	(592 277)	385 022	(2 179 534)	2 051 284	(2 179 534)	(2 179 534)	(2 179 534)	
Municipal Manager	1 011 270	8 189	(38 170)	-	-	-	-	-	-	-	981 293	(497 810)	26 922	(121 389)	-	-	(2 179 534)	-	(2 179 534)	(2 179 534)	(2 179 534)	(2 179 534)	(2 179 534)	(2 179 534)	(2 179 534)		
Planning and Development	4 254 220	-	(23 352)	-	-	-	-	-	-	-	4 230 888	(1 900 456)	23 318	(302 446)	-	-	(3 234 387)	-	(3 234 387)	(3 234 387)	(3 234 387)	(3 234 387)	(3 234 387)	(3 234 387)	(3 234 387)	(3 234 387)	
Financial Service	4 348 597	37 202	(514 149)	-	-	-	-	-	-	-	3 871 650	(3 401 051)	481 114	(614 440)	-	-	(3 047 813)	-	(3 047 813)	(3 047 813)	(3 047 813)	(3 047 813)	(3 047 813)	(3 047 813)	(3 047 813)	(3 047 813)	
Corporate Service	4 704 030	18 445	(38 487)	-	-	-	-	-	-	-	4 684 008	(2 584 611)	32 405	(485 607)	-	-	(688 606 074)	-	(688 606 074)	(688 606 074)	(688 606 074)	(688 606 074)	(688 606 074)	(688 606 074)	(688 606 074)	(688 606 074)	
Engineering Service	1 351 684 300	16 288 230	(681 475)	-	-	-	-	-	-	-	1 357 331 115	(622 486 562)	278 269	(76 387 781)	-	-	(162 373 415)	-	(162 373 415)	(162 373 415)	(162 373 415)	(162 373 415)	(162 373 415)	(162 373 415)	(162 373 415)	(162 373 415)	
Community Service	170 916 163	48 533 366	(575 227)	-	-	-	-	-	-	-	218 874 302	(51 088 032)	484 899	(5 897 554)	-	-	(492 770 365)	-	(492 770 365)	(492 770 365)	(492 770 365)	(492 770 365)	(492 770 365)	(492 770 365)	(492 770 365)	(492 770 365)	
Electrical Engineering	986 937 444	11 836 975	(91 334 801)	-	-	-	-	-	-	-	887 438 618	(420 568 908)	67 679 556	(38 839 011)	-	-	(2 839 900)	-	(2 839 900)	(2 839 900)	(2 839 900)	(2 839 900)	(2 839 900)	(2 839 900)	(2 839 900)	(2 839 900)	
Intangible	2 454 305	1 150 797	-	-	-	-	-	-	-	-	3 605 102	(1 319 283)	-	(692 371)	-	-	(1 603 468)	-	(1 603 468)	(1 603 468)	(1 603 468)	(1 603 468)	(1 603 468)	(1 603 468)	(1 603 468)	(1 603 468)	
Land	125 355 946	49 500	(1 010 000)	-	-	-	-	-	-	-	124 338 446	-	-	(1 969 811)	-	-	(8 010 617)	-	(8 010 617)	(8 010 617)	(8 010 617)	(8 010 617)	(8 010 617)	(8 010 617)	(8 010 617)	(8 010 617)	
Leased	14 349 107	-	(3 428 886)	-	-	-	-	-	-	-	10 444 300	183 087 053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Properties	173 182 753	(577 000)	-	-	-	-	-	-	-	-	30 985 479	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	58 988 033	47 725 910	(75 728 464)	-	-	-	-	-	-	-	22 875 889	(10 043 380)	2 556 153	(1 216 979)	-	-	(8 704 186)	-	(8 704 186)	(8 704 186)	(8 704 186)	(8 704 186)	(8 704 186)	(8 704 186)	(8 704 186)	(8 704 186)	(8 704 186)
Transport, Safety, Security and Liaison	28 277 695	-	(3 461 806)	-	-	-	-	-	-	-	10 444 300	2 884 926	72 406 130	(126 613 501)	-	-	(2 839 900) <sup>1</sup>	(178 342 657)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)	(1 636 533 620)
	<b>2 906 135 360</b>	<b>125 666 944</b>	<b>(101 831 883)</b>	<b>(75 728 464)</b>																							

## Appendix D

### Segmental Statement of Financial Performance for the year ended Prior Year Current Year

	Actual Income Rand	Actual Expenditure Rand	Surplus (Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus (Deficit) Rand
<b>Municipality</b>							
442 868 345	34 350 722	(34 350 722)	Executive & Council/Mayor and Council	471 991 309	37 938 806	(37 938 806)	
5 511 963	182 588 379	260 279 966	Finance & Admin/Finance	283 211 382	188 779 927		
	22 716 604	(17 204 641)	Planning and Development/Economic Development/Plan	23 155 126	(22 340 112)		
46 061	8 171 082	(8 125 021)	Health/Clinics	23 856	8 696 265	(8 672 409)	
78 206	7 646 027	(7 567 821)	Comm. & Social/Libraries and archives	46 324	8 866 582	(8 820 258)	
2 153 837	10 939 617	(8 785 780)	Housing	2 308 824	12 233 675	(9 924 851)	
40 684 479	28 205 228	12 479 251	Public Safety/Police	39 771 327	24 420 309	15 351 018	
161 294	23 221 189	(23 059 895)	Sport and Recreation	149 130	23 678 468	(23 529 338)	
30 028 491	77 513 830	(47 485 339)	Waste Management	36 475 765	84 961 379	(48 485 614)	
134 268 226	240 641 509	(106 373 283)	Road Transport/Roads	113 674 609	248 831 132	(135 156 523)	
463 631 232	493 548 587	(29 917 355)	Electricity /Electricity Distribution	474 109 293	466 640 708	7 468 585	
<b>1 119 432 134</b>	<b>1 129 542 774</b>	<b>(10 110 640)</b>		<b>1 139 365 451</b>	<b>1 222 633 832</b>	<b>(83 268 381)</b>	

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Current year 2018 Act. Bal. Rand	Current year 2018 Adjusted budget Rand	Variance Rand	% Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Property rates	99 289 523	84 000 000	15 289 523	18.2	Note 51
Service charges	485 060 405	532 683 153	(47 622 748)	(8.9)	Note 51
Property rates - penalties imposed	8 203 616	6 500 000	1 703 616	26.2	Note 51
Rental of facilities and equipment	1 781 896	1 372 100	409 796	29.9	Note 51
Interest received - outstanding receivable	18 395 501	13 000 000	5 395 501	41.5	Note 51
Income from agency services	7 988 116	50 264 291	(42 276 175)	(84.1)	Note 51
Fines	40 306 473	5 503 136	34 803 337	632.4	Note 51
Licences and permits	1 005 867	701 000	304 867	43.5	Note 51
Government grants and subsidies	424 245 829	461 842 308	(37 596 479)	(8.1)	Note 51
Public contributions and donation	49 272	-	49 272	-	
Other income	38 167 376	10 235 046	27 932 330	272.9	Note 51
Interest received - other	4 427 275	3 501 000	926 275	26.5	Note 51
	<b>1 128 921 149</b>	<b>1 169 602 034</b>	<b>(40 680 885)</b>	<b>(3.5)</b>	
<b>Expenses</b>					
Employee cost	(282 016 266)	(316 680 113)	34 663 847	(10.9)	Note 51
Remuneration of councillors	(24 432 412)	(24 683 925)	251 513	(1.0)	
Depreciation	(126 613 505)	(128 908 633)	2 295 128	(1.8)	
Impairments of assets	(2 839 900)	-	(2 839 900)	-	Note 51
Finance costs	(11 013 608)	(12 771 030)	1 757 422	(13.8)	Note 51
Debt impairment	(116 939 752)	(27 351 000)	(89 588 752)	327.6	Note 51
Collection costs	(1 770 028)	(400 000)	(1 370 028)	342.5	Note 51
Repairs and maintenance	(46 257 231)	(53 866 275)	7 609 044	(14.1)	Note 51
Bulk purchases	(325 232 299)	(345 000 000)	19 767 701	(5.7)	
Contracted Services	(48 050 548)	(49 612 372)	1 561 824	(3.1)	
Grants and subsidies paid	(113 263 619)	(39 178 999)	(74 084 620)	189.1	Note 51
General Expenses	(98 280 301)	(119 233 395)	20 953 094	(17.6)	Note 51
	<b>(1 196 709 469)</b>	<b>(1 117 685 742)</b>	<b>(79 023 727)</b>	<b>7.1</b>	
Other revenue and costs					
Gain or loss on disposal of assets	(25 924 361)	2 200 000	(28 124 361)	278.4	Note 51
Fair value adjustments	10 444 300	-	10 444 300	100.0	Note 51
	<b>(15 480 061)</b>	<b>2 200 000</b>	<b>(17 680 061)</b>	<b>(803.6)</b>	
Net surplus/ (deficit) for the year	<b>(83 268 381)</b>	<b>54 116 292</b>	<b>(20 662 781)</b>	<b>(38.2)</b>	

## Appendix E(2)

### Budget Analysis of Capital Expenditure as at 30 June 2018

Municipality	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Executive & Council	-	-	-	-	
Health/Clinics	-	230 000	230 000	100	The municipality received money for greenest municipality competition during June 2018 and the money will be rolled over to the 2018/2019 financial year
Housing	826 160	819 703	6 457	1	Delays in supply chain process
Road Transport	34 137 340	120 851 207	(86 713 864)	(72)	The lower spending is due to the roads that were constructed on behalf of RAL and are transferred to RAL as grants and subsidies
Electricity /Electricity Distribution	13 824 180	47 025 000	(33 200 819)	(71)	The low spending is due to the new loan that was applied for and not approved during the year
	<b>48 787 680</b>	<b>168 925 910</b>	<b>(119 678 226)</b>	<b>(71)</b>	

**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2018**

	2017/2018			2016/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s21 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>										
Governance and administration	414 550 007	-	414 550 007	414 550 007	461 547 008	46 997 001	111 %	111 %	442 868 345	-
Executive and council	414 548 650	-	414 548 650	414 548 650	461 547 008	46 998 358	111 %	111 %	442 867 377	-
Budget and treasury office	-	-	-	-	-	(21 305)	- %	- %	968	-
Corporate services	257	257	257	7 679 620	7 679 620	42 289 481	34 619 841	551 %	43 123 877	-
Community and public safety	7 449 620	230 000	7 679 620	67 629	67 629	46 324	(21 305)	68 %	78 206	-
Sport and recreation	67 629	-	67 629	560 766	560 766	149 130	(411 636)	27 %	161 294	-
Public safety	5 001 000	-	5 001 000	5 001 000	5 001 000	39 771 327	34 770 327	795 %	40 664 479	-
Housing	1 785 225	-	1 785 225	1 785 225	1 785 225	2 308 824	513 599	129 %	2 153 837	-
Health	25 000	230 000	235 000	255 000	255 000	23 856	(231 144)	9 %	46 061	-
Economic and environmental services	147 290 946	21 630 308	168 921 254	168 921 254	114 489 623	(54 434 631)	68 %	78 %	139 780 190	-
Planning and development	563 555	-	563 555	563 555	815 014	261 469	145 %	145 %	5 511 963	-
Road transport	146 727 391	21 630 308	168 357 699	168 357 699	113 674 609	(54 685 090)	68 %	77 %	134 268 227	-
Environmental protection	-	-	578 454 153	578 454 153	510 585 057	(67 866 096)	88 %	88 %	483 639 722	-
Trading services	527 098 300	-	527 098 300	527 098 300	474 109 293	(52 986 077)	90 %	90 %	463 631 231	-
Electricity	-	-	51 352 853	51 352 853	36 475 764	(14 877 089)	71 %	71 %	30 028 491	-
Water	-	-	-	-	-	-	-	-	Div/0 %	-
Waste management	-	-	-	-	-	-	-	-	Div/0 %	-
Other	-	-	-	-	-	-	-	-	Div/0 %	-
<b>Total Revenue - Standard</b>	<b>1 147 744 726</b>	<b>21 630 308</b>	<b>1 169 602 034</b>	<b>1 169 602 034</b>	<b>1 123 921 149</b>	<b>(40 680 885)</b>	<b>97 %</b>	<b>98 %</b>	<b>1 149 432 134</b>	

**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2018**

		2017/2018			2016/2017				
Original Budget	Budget Adjustments (i.e. S28 and S31 of the MfMMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>									
Governance and administration	218 541 148	-	218 541 148	30 489 (271 000)	218 571 637 40 144 012	288 175 284 37 638 806 (2 265 206)	79 603 657 92 243 913	136 % 95 % (2 265 206)	218 960 201 94 % 34 350 722
Executive and council	40 415 012	-	40 415 012	92 732 902	92 732 902	170 243 815	43 950 723	184 % 105 %	94 531 168 90 078 311
Budget and treasury office	92 732 902	-	92 732 902	85 373 234	85 373 234	85 992 673	4 317 950	105 %	90 078 311
Corporate services	85 373 234	-	85 373 234	301 469	301 469	77 985 298 (14 387 928)	84 % 47 821	84 % 101 %	78 183 143 100 %
Community and public safety	92 243 715	-	92 243 715	39 543 (29 050)	92 283 228 8 818 761	28 014 853 23 378 468 (3 336 385)	79 603 657 8 865 552 29 354 026 (4 183 716)	84 % 88 % 83 % 74 %	7 646 027 23 221 189 28 205 226 10 939 617
Community and social services	8 847 851	-	8 847 851	27 014 853	27 014 853	24 420 309 16 421 785	12 233 675 16 421 785	81 % 81 %	8 171 062
Sport and recreation	27 014 853	-	27 014 853	29 285 422	68 603	16 421 785	10 673 804	135 %	28 205 226
Public safety	29 285 422	-	29 285 422	16 421 785	-	10 673 804	8 896 265 (1 977 539)	81 %	10 939 617
Housing	16 421 785	-	16 421 785	10 673 804	10 673 804	201 333 601 (61 987)	201 321 604 268 036 791	135 %	8 171 062
Health	198 956 132	2 427 469	2 427 469	201 333 601	201 321 604	67 715 187	67 715 187	135 %	268 956 505
Economic and environmental services	22 423 629	-	22 423 629	22 423 629	22 423 629	20 205 659 178 897 975	(2 217 970) 248 831 132	90 % 139 %	20 314 996 141 %
Planning and development	176 532 503	2 427 469	178 956 972	(61 987)	178 956 972	178 897 975	248 831 132 59 933 157	90 % 139 %	240 641 509
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	695 138 334	10 378 944	695 547 278	(8 005)	605 509 273	55 602 085 517 888 491	(53 907 188) 468 640 708 (51 247 783)	91 % 50 %	571 062 416 52 %
Electricity	507 559 547	10 378 944	507 559 547	507 559 547	507 559 547	507 559 547	507 559 547	50 %	493 548 585
Water	7 562 945	-	7 562 945	10 000	7 572 945	6 972 911 (1 600 034)	79 % (1 059 371)	79 % 98 %	6 820 956 70 632 875
Waste water management	80 055 842	-	80 055 842	(18 005)	80 047 837	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>1 104 879 328</b>	<b>12 806 413</b>	<b>1 117 635 742</b>	<b>-</b>	<b>1 117 635 742</b>	<b>1 195 709 469</b>	<b>79 023 727</b>	<b>107 %</b>	<b>1 129 182 265</b>
Budget and Treasury Office	2 200 000	-	2 200 000	-	2 200 000	(25 924 361) 10 443 300	(28 124 361) 10 443 300	(1 178) % Div/0 %	(380 509)
Corporate services	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>45 062 397</b>	<b>9 053 885</b>	<b>54 116 292</b>	<b>54 116 292</b>	<b>(83 269 381)</b>	<b>(137 385 673)</b>	<b>(154) %</b>	<b>(185) %</b>	<b>(10 110 640)</b>

**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2018**

	2017/2018			2016/2017		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget adjustments budget	Virement (i.t.o. Council approved policy)	Actual Outcome	Variance of Actual Outcome against Budget Adjustments
					Final Budget	Actual as % of Final Budget
	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>						
Vote 2 - Planning & Economic Development	563 555	-	563 555	563 555	815 014	251 459
Vote 3 - Financial Services	414 548 650	-	414 548 650	414 548 650	46 986 358	111 %
Vote 4 - Corporate Services	107 282 538	230 000	107 522 538	107 522 538	91 166 117	- %
Vote 5 - Community Services	527 098 300	-	527 098 300	527 098 300	(16 356 222)	85 %
Vote 7 - Electrical Engineering Services	98 237 325	21 630 308	119 867 633	119 867 633	474 108 283	90 %
<b>Total Revenue by Vote</b>	<b>1 147 741 726</b>	<b>21 860 308</b>	<b>1 169 602 034</b>	<b>1 169 602 034</b>	<b>(49 680 885)</b>	<b>84 %</b>
<b>Expenditure by Vote to be appropriated</b>						
Vote 1 - Municipal Manager	15 145 388	-	15 145 388	(41 400)	15 103 988	11 637 117
Vote 2 - Planning & Economic Development	28 777 731	-	28 777 731	29 090	28 806 841	(3 466 871)
Vote 3 - Financial Service	92 752 902	-	92 752 902	92 752 902	170 243 816	77 490 913
Vote 4 - Corporate Services	101 364 169	-	101 364 169	-	102 005 569	104 752 921
Vote 5 - Community Services	204 770 699	-	204 770 699	(29 090)	204 741 609	2 747 352
Vote 7 - Electrical Engineering Services	507 509 547	10 378 444	517 888 491	-	517 888 491	(51 247 783)
Vote 8 - Engineering Services	153 958 873	2 427 469	156 386 342	-	156 386 342	238 742 715
<b>Total Expenditure by Vote</b>	<b>1 104 879 329</b>	<b>12 806 413</b>	<b>1 117 685 742</b>	<b>-</b>	<b>1 117 685 742</b>	<b>1 196 709 489</b>
Vote 3 - Financial Services	2 200 000	-	2 200 000	-	2 200 000	(25 924 381)
Vote 2 - Planning and economic development	-	-	-	-	10 444 300	(28 124 361)
<b>Surplus/(Deficit) for the year</b>	<b>45 062 387</b>	<b>9 053 895</b>	<b>54 116 292</b>	<b>-</b>	<b>54 116 292</b>	<b>(33 268 381)</b>
						<b>(137 384 673)</b>
						<b>(154)%</b>
						<b>(185)%</b>
						<b>(10 110 640)</b>

Vote 3 - Financial Services  
 Vote 2 - Planning and economic development  
 Surplus/(Deficit) for the year

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2018**

	2017/2018			2016/2017		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Virement (i.t.o. Council approved policy)	Actual Outcome	Variance of Actual Outcome against Adjustments
	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Source</b>						
Property rates - penalties & collection charges	84 000 000 6 500 000	- 6 500 000	84 000 000 6 500 000	84 000 000 6 500 000	98 289 523 8 203 616	15 289 523 1 703 616
Service charges - electricity revenue	502 098 300	-	502 098 300	502 098 300	452 023 274 (50 075 026)	452 023 274 (50 075 026)
Service charges - water revenue	-	-	-	-	-	-
Service charges - sanitation revenue	27 434 853	-	27 434 853	27 434 853	30 980 314 (1 103 184)	3 555 461 (1 103 184)
Service charges - other ...	3 150 000 1 372 100 3 501 000 13 000 000	- 1 372 100 3 501 000 13 000 000	3 150 000 1 372 100 3 501 000 13 000 000	3 150 000 1 372 100 3 501 000 13 000 000	2 046 816 1 781 986 4 427 275 18 385 501	408 796 408 796 926 275 5 395 501
Rental of facilities and equipment	-	-	-	-	-	-
Interest earned - external investments	-	-	-	-	-	-
Interest earned - outstanding debtors	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-
Fines	5 503 136	-	5 503 136	5 503 136	40 306 473 1 005 887	34 803 337 304 867
Licences and permits	701 000	-	701 000	701 000	701 000 (42 276 175)	701 000 143 %
Agency services	50 264 291	-	50 264 291	50 264 291	7 988 116	16 %
Transfers recognised - operational	348 837 100	-	348 837 100	348 837 100	402 320 667 48 611 677	53 483 567 38 376 631
Other revenue	10 235 046	-	10 235 046	10 235 046	-	475 %
Gains on disposal of PPE	2 200 000	-	2 200 000	2 200 000	(2 200 000)	- %
Total Revenue (excluding capital transfers and contributions)	1 058 796 826	-	1 058 796 826	1 058 796 826	58 594 189 (2 200 000)	106 %
						1 079 556 998

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2018**

	2017/2018			2016/2017		
	Original Budget (i.t.o. s28 and s31 of the MFMA)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome
	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure by Type</b>						
Employee related costs	316 680 113	-	316 680 113	-	316 680 113	282 016 266
Remuneration of councillors	24 683 925	-	24 683 925	-	24 683 925	(34 663 47)
Debt impairment	27 351 000	-	27 351 000	-	27 351 000	116 939 752
Depreciation & asset impairment	128 908 633	-	128 908 633	-	128 908 633	129 453 405
Finance charges	12 771 030	-	12 771 030	-	12 771 030	11 013 609
Bulk purchases	345 000 000	-	345 000 000	(2 064 297)	345 000 000	(1 757 421)
Other purchases	41 659 862	12 806 413	53 866 275	51 801 985	48 257 231	(19 767 701)
Contracted services	49 612 372	-	49 612 372	96 000	49 708 372	(5 544 757)
Transfers and grants	39 178 998	-	39 178 998	(759 000)	113 263 619	74 050 548
Other expenditure	119 633 355	-	119 633 355	2 727 286	122 360 661	100 050 350
Loss on disposal of PPE	-	-	-	-	25 924 359	(22 310 351)
Total Expenditure	1 104 879 399	12 806 413	1 117 685 742	(1)	1 117 685 741	1 222 633 830
Surplus/(Deficit)	(46 052 503)	(12 806 413)	(58 888 916)	1	(58 888 915)	(105 242 815)
Transfers recognised - capital	-	-	-	-	(46 385 900)	(49 975 777)
Contributions recognised - capital	91 144 900	21 860 308	113 005 208	-	21 974 434	(91 030 774)
Contributed assets	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	45 062 397	9 053 895	54 116 292	54 116 292	(83 268 381)	(137 384 673)
Taxation	-	-	-	-	-	-
Surplus/(Deficit) after taxation	45 062 397	9 053 895	54 116 292	54 116 292	(83 268 381)	(137 384 673)
Attributable to minorities	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	45 062 397	9 053 895	54 116 292	54 116 292	(83 268 381)	(137 384 673)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-
Surplus/(Deficit) for the year	45 062 397	9 053 895	54 116 292	54 116 292	(83 268 381)	(137 384 673)

(156%) (185%) (154%) (185%) (10 110 640) (10 110 640)

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2018**

	2017/2018			2016/2017		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments
	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital expenditure - Vote</b>						
Multi-year expenditure						
Single-year expenditure						
Vote 1 - Municipal Manager	-	-	-	-	-	-
Vote 2 - Planning and economic development	-	-	-	-	-	-
Vote 3 - Financial Services	-	-	-	-	-	-
Vote 4 - Corporate Services	-	-	-	-	-	-
Vote 5 - Community Services	45 000 000	2 025 000	230 000	230 000	13 836 740	(230 000) (33 188 260)
Vote 6 - Electrical Engineering Services	95 889 514	25 781 396	121 670 910	121 670 910	34 956 940	(86 719 970)
Vote 7 - Engineering Services	140 889 514	28 036 396	168 925 910	168 925 910	48 787 680	(120 138 230)
Capital single-year expenditure sub-total	<b>140 889 514</b>	<b>28 036 396</b>	<b>168 925 910</b>	<b>168 925 910</b>	<b>48 787 680</b>	<b>(120 138 230)</b>
Total Capital Expenditure - Vote	<b>140 889 514</b>	<b>28 036 396</b>	<b>168 925 910</b>	<b>168 925 910</b>	<b>48 787 680</b>	<b>(120 138 230)</b>
					29 %	35 %
						76 120 073

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2018**

	2017/2018			2016/2017					
	Original Budget Rand	Budget Adjustments (i.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Restated Audited Outcome Rand
<b>Capital Expenditure - Standard</b>									
Governance and administration	-	-	-	-	-	-	-	-	9 650 175
Executive and council	-	-	-	-	-	-	-	-	1 054 440
Budget and treasury office	-	-	-	-	-	-	-	-	28 118
Corporate services	95 889 514	25 781 396	121 670 910	121 670 910	34 965 600	(86 707 410)	29 %	29 %	8 567 617
Economic and environmental services	95 889 514	25 781 396	121 670 910	121 670 910	34 965 500	(86 707 410)	29 %	29 %	46 925 852
Planning and development	95 889 514	25 781 396	121 670 910	121 670 910	34 965 500	(86 707 410)	29 %	29 %	5 388 787
Road transport	45 000 000	2 025 000	47 025 000	47 025 000	13 824 180	(33 200 820)	29 %	31 %	41 637 065
Environmental protection	45 000 000	2 025 000	47 025 000	47 025 000	13 824 180	(33 200 820)	29 %	31 %	19 544 045
Trading services	-	-	-	-	-	-	-	-	19 533 988
Electricity	-	-	-	-	-	-	-	-	10 077
Waste management	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>140 889 514</b>	<b>27 806 396</b>	<b>168 685 910</b>	<b>168 685 910</b>	<b>48 787 680</b>	<b>(118 908 230)</b>	<b>29 %</b>	<b>35 %</b>	<b>90 688 479</b>
<b>Funded by:</b>									
National Government	91 144 900	21 860 308	113 005 208	113 005 208	21 925 162	(91 080 046)	19 %	24 %	39 885 137
Transfers recognised - capital	<b>91 144 900</b>	<b>21 860 308</b>	<b>113 005 208</b>	<b>113 005 208</b>	<b>21 925 162</b>	<b>(91 080 046)</b>	<b>19 %</b>	<b>24 %</b>	<b>39 885 137</b>
Public contributions & donations	34 744 614	(4 744 614)	30 000 000	-	49 272	(49 272)	DIv0 %	DIv0 %	20 406 510
Borrowing	15 000 000	10 920 702	25 920 702	30 000 000	1 741 491	(28 285 609)	6 %	5 %	9 424 986
Internally generated funds	-	-	-	-	25 920 702	25 077 755	97 %	167 %	26 929 979
<b>Total Capital Funding</b>	<b>140 889 514</b>	<b>28 036 396</b>	<b>168 925 910</b>	<b>168 925 910</b>	<b>48 787 680</b>	<b>(120 138 230)</b>	<b>29 %</b>	<b>35 %</b>	<b>96 526 882</b>

**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2018**

	2017/2018				2016/2017			
	Original Budget	Budget Adjustments (i.e. S28 and S31 of the MFMMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Net increase/(decrease) in cash held Cash/cash equivalents at the year begin:	(R386 008)	(22 896 396)	(22 892 404)	(22 892 404)	(24 348 499)	(1 456 095)	106 %	2 748 %
Cash/cash equivalents at the year end:	12 342 983	19 486 188	31 839 171	31 839 171	31 839 163	8		(22 530 257)
								54 389 420

**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2018**

	2017/2018					2016/2017				
	Original Budget	Budget Adjustments (i.t.o. S28 and \$31 or the MFI(MA))	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
<b>Cash flow from operating activities</b>										
Receipts										
Taxation	76 925 000	-	76 925 000	76 925 000	79 408 159	2 483 159	103 %	103 %	59 332 445	
Sale of goods and services	525 456 339	-	525 456 339	525 456 339	534 554 225	9 085 886	102 %	102 %	508 426 055	
Grants	439 882 700	6 030 000	446 012 000	446 012 000	465 424 215	20 412 491	105 %	106 %	489 359 441	
Interest	11 550 700	-	11 550 700	11 550 700	4 427 215	(7 128 425)	38 %	38 %	8 263 077	
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	
Payments										
Employee cost	(315 102 069)	-	(315 102 069)	(315 102 069)	(306 880 269)	8 251 830	97 %	97 %	(291 337 034)	
Suppliers	(597 498 605)	-	(597 498 605)	(597 498 605)	(721 403 582)	(128 903 957)	121 %	121 %	(682 114 197)	
Finance cost	(12 771 030)	-	(12 771 030)	(12 771 030)	(10 217 081)	2 553 949	80 %	80 %	(12 489 656)	
Transfer of property, plant and equipment	-	-	-	-	75 728 464	75 728 464	DIV/0 %	DIV/0 %	54 400 872	
Net cash flow from/used operating activities	128 553 315	6 030 000	134 583 315	134 583 315	122 071 712	(12 511 603)	91 %	95 %	143 811 009	
<b>Cash flow from investing activities</b>										
Additions property, plants and equipment	(140 839 514)	(28 038 396)	(168 925 910)	(168 925 910)	(124 516 144)	44 409 766	74 %	88 %	(122 747 827)	
Transfers from Work in Progress	2 200 000	-	2 200 000	2 200 000	2 691 367	491 367	DIV/0 %	DIV/0 %	185 000	
Proceeds on disposal of property, plant and equipment	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	
Loss on disposal of stands held for sale	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(7 141 753)	
Additions to investment property	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(631 368)	
Proceeds from sale of investment property	-	-	-	-	570 000	570 000	DIV/0 %	DIV/0 %	-	
Loss on disposal of property, plant and equipment	-	-	-	-	(1 150 797)	(1 150 797)	DIV/0 %	DIV/0 %	(4 787 914)	
Increase in financial assets	(920 000)	-	(920 000)	(920 000)	(1 491 921)	(571 921)	162 %	162 %	(135 093 862)	
Net cash flow from/used investing activities	(139 009 514)	(28 038 396)	(167 645 910)	(167 645 910)	(123 897 495)	43 748 415	74 %	88 %	(135 093 862)	
<b>Cash flow from financing activities</b>										
Long term liabilities	34 744 788	-	34 744 788	34 744 788	(17 836 029)	(34 744 788)	- %	- %	(35 867 227)	
Repayment of other other financial liabilities	(23 074 587)	-	(23 074 587)	(23 074 587)	5 236 568	77 %	77 %	77 %	-	
Finance lease payments	(1 500 000)	-	(1 500 000)	(1 500 000)	(4 686 687)	(3 186 687)	DIV/0 %	DIV/0 %	4 619 823	
Increase / (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	
Payments	-	-	-	-	-	-	-	-	-	
Repayment of borrowing	10 170 191	-	10 170 191	10 170 191	(22 522 716)	(32 692 907)	(221)%	(221)%	(31 247 404)	
Net cash flow from/used financing activities	10 170 191	-	10 170 191	10 170 191	-	-	DIV/0 %	DIV/0 %	-	